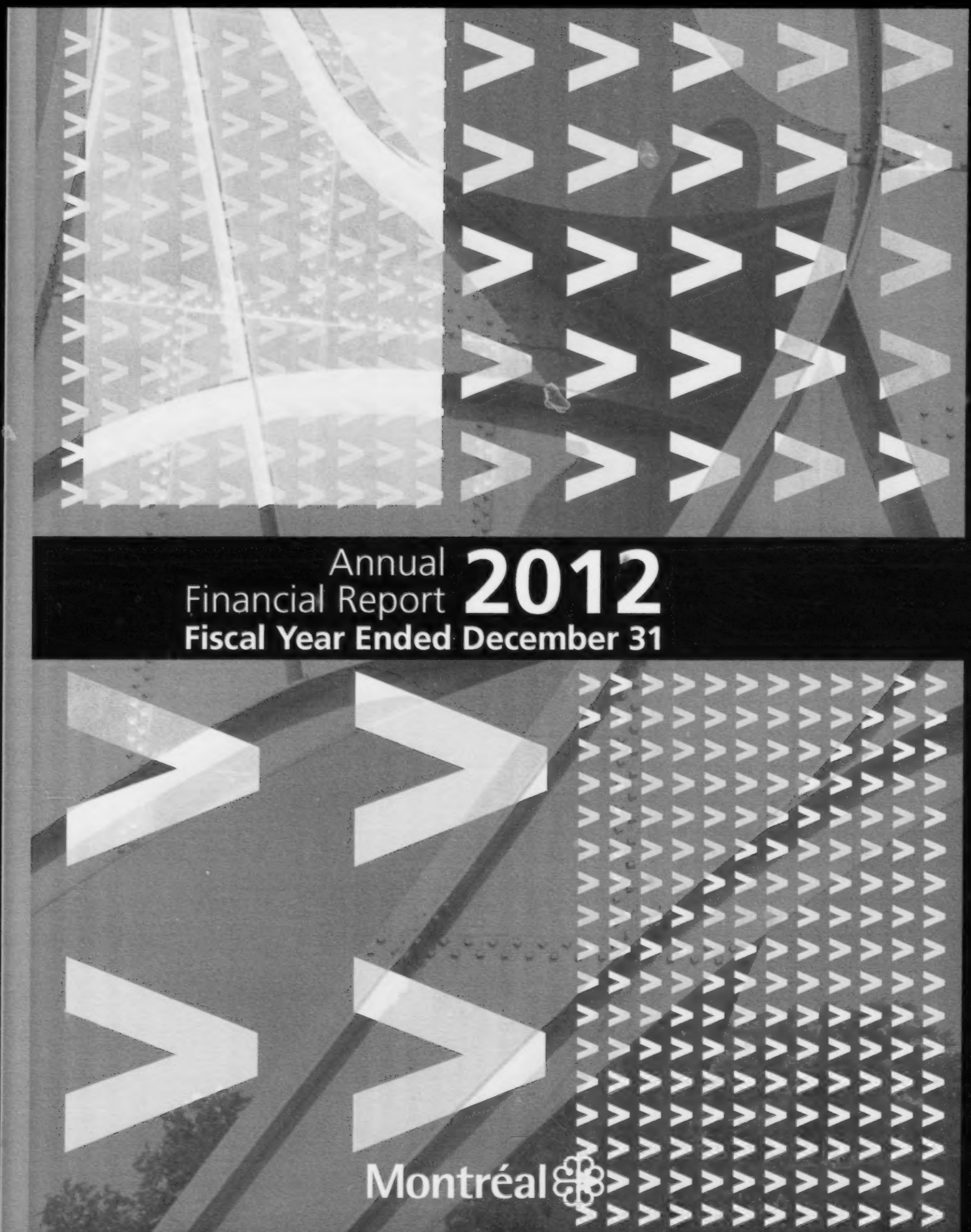

Annual Financial Report 2012

Fiscal Year Ended December 31

Montréal

Prepared by the
Service des finances,
Direction de la
comptabilité et du
contrôle financier

Annual Financial Report 2012

Fiscal Year Ended December 31

DEPOSITED AT THE CITY CLERK'S OFFICE OF THE
VILLE DE MONTRÉAL ON MARCH 28, 2013

Montréal

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2012
Introduction

Message from the Mayor

Dear Fellow Montrealers,

The city's 2012 fiscal period ended with an overall suplus of $109.1 million, excluding municipally controlled agencies. This surplus was equal to 2.4% of the total metropolitan budget.

Of this amount, $89.4 million was generated by the central city's financial activities and $19.7 million by those of the Montréal urban agglomeration.

This surplus is primarily due to higher-than-expected revenues for licences, permits and property transfer fees resulting from Montréal's thriving real-estate market. Such activity attests to our metropolis's vitality, as do the many other residential, commercial and industrial projects announced for different boroughs.

These results clearly illustrate that efforts launched in 2011 to tighten the city's oranizational model are paying off and contributing to a balanced budget. Under the law, the city must stay in the black.

For the eighth consecutive year, agencies such as Moody's have demonstrated their confidence in our rigorous financial management and compliance with budget targets by again maintaining the city's Aa2 credit rating.

Furthermore, the outlook for this excellent rating—the highest in Montréal's history—remains stable. Throughout the world, credit ratings of public institutions provide clear indications of their management quality and financial performance. Montréal's fine results in this area save taxpayers millions of dollars in interest charges and enable it to continue providing services that make our city one of the best places in the world to live, work, create and succeed.

Acting decisively to rein in expenses and ensure efficient operations is vital to remaining an attractive city and providing continued support to the projects in which we are engaged. We must also pursue our efforts to cut the cost of municipal pension plans, particularly to ensure that future generations bear a fair share of such expenses.

Together, we will continue working toward these priorities and providing Montrealers with excellent services and exceptional living environments.

Michael Applebaum
Mayor of Ville de Montréal

Message from the Director General and the Treasurer

Dear Fellow Residents:

The 2012 Financial Statements that we are presenting today provide a faithful portrait of the city's financial activities.

As at December 31, 2012, the city had posted a surplus of $109.1 million, excluding municipally controlled agencies. These results show that our financial strategies and efforts to shrink municipal spending have helped maintain the city's balanced budget and financial stability.

For example, property transfer fees yielded some $41.1 million, alone. These results demonstrate the dyanamism of Montréal's property market, as illustrated by widespread residential and institutional construction. Building projects in Griffintown, at CHUM, CHU Sainte-Justine and the Montreal Jewish Hospital have generated an additional $33.8 million in licencing and occupancy fees.

Resolution of certain tax disputes totalling $22.5 million, along with the deposit of $24.5 million in reserves pertaining to the group insurance contract with Mouvement Desjardins have been used in balancing the city's 2012 Budget.

This additional income, accompanied by a plan initiated in 2012 to cut some $30.4 million costs, a $66.4 million reduction in contingency and litigation expenses and a shrinkage of some $28.3 million in financing costs enabled the city to avoid drawing on approximately $132 million in relief measures included in the 2012 Budget. Consequently, the city will not have charge this tax in future years.

To boost financial reserves, city officials will continue their cost-cutting efforts, while optimizing management processes. They will also pursue their current efforts to reduce the pension plan costs, an issue crucial to Montréal's finances.

It is with great pride and gratitude that we thank all city employees for their united, responsible and dedicated contributions to these positive results.

Robert Lamontagne
Acting City Manager

Jacques Marleau
Deputy Treasurer of Ville de Montréal

Introduction - Financial Information of the Municipal Administration

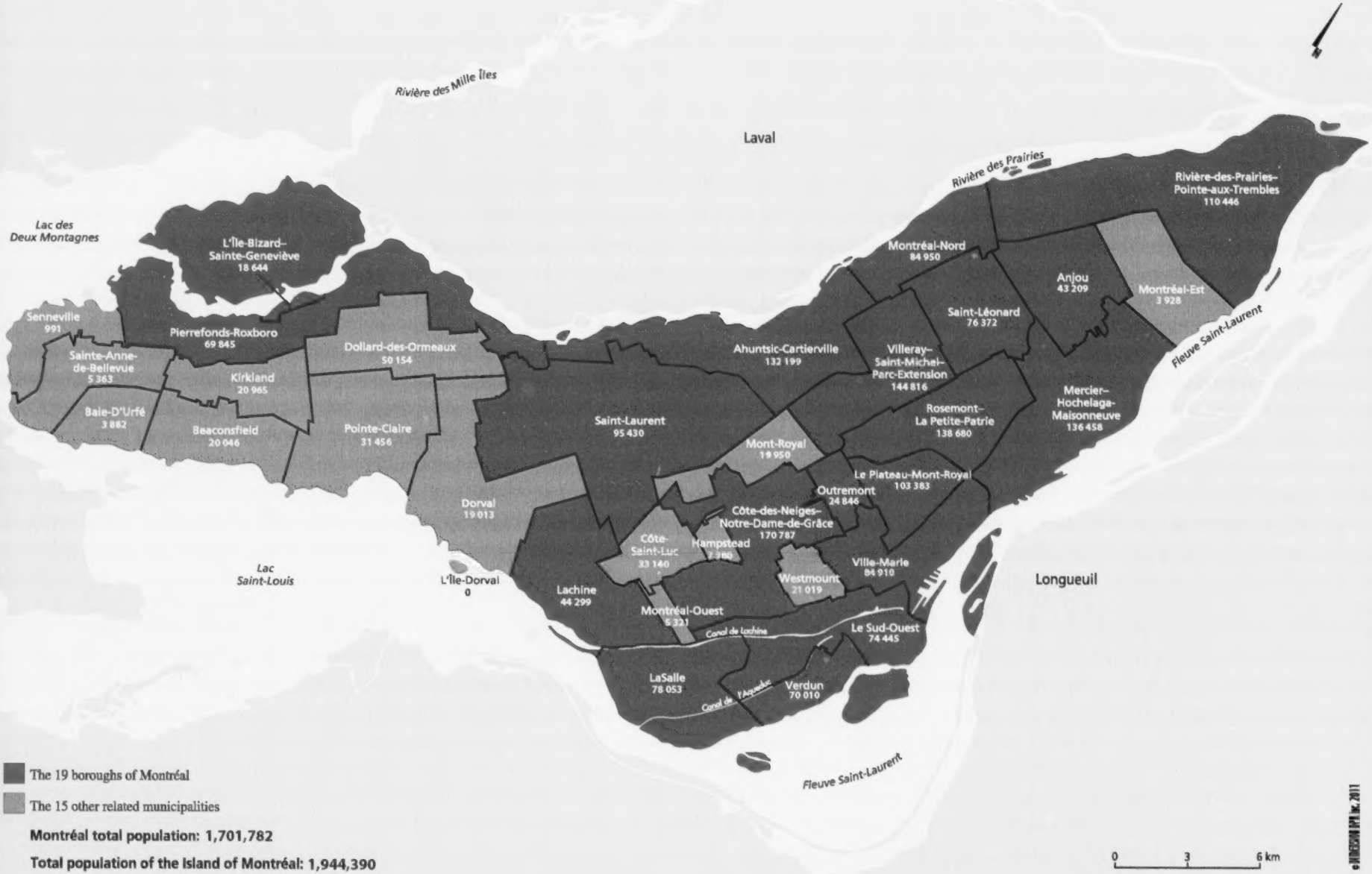
Fiscal Year Ended December 31, 2012

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

(in thousands of dollars)

	2012								2011
	Local responsibilities		Urban agglomeration responsibilities		Eliminations		Total		Total
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Actual
Revenues									
Taxes	2,820,450	**2,819,122**	36,740	**52,349**			2,857,190	**2,871,471**	2,746,059
Payments in lieu of taxes	233,378	**239,602**		**2,036**			233,378	**241,638**	227,817
Quota shares			2,123,025	**2,122,892**	(1,729,699)	**(1,729,662)**	393,326	**393,230**	378,786
Transfers	184,983	**218,248**	159,257	**163,390**			344,240	**381,638**	367,108
Services rendered	270,516	**279,436**	60,301	**65,352**	(44,116)	**(49,813)**	286,701	**294,975**	279,491
Fee collection	140,561	**206,366**	1,969	**1,849**			142,530	**208,215**	174,551
Fines and penalties	102,346	**96,532**	89,227	**85,044**			191,573	**181,576**	181,379
Interest	70,499	**74,556**	35,703	**42,523**			106,202	**117,079**	109,464
Other revenues	52,115	**54,756**	22,175	**22,944**			74,290	**77,700**	75,329
	3,874,848	**3,988,618**	2,528,397	**2,558,379**	(1,773,815)	**(1,779,475)**	4,629,430	**4,767,522**	4,539,984
Operating expenditures									
General administration	568,234	**484,075**	444,016	**393,734**	(43,823)	**(48,220)**	968,427	**829,589**	824,996
Public security	17,661	**17,606**	981,059	**1,010,514**		**(323)**	998,720	**1,027,797**	962,808
Transportation	351,028	**357,379**	458,464	**437,389**		**(619)**	809,492	**794,149**	787,634
Environmental hygiene	190,752	**188,682**	226,428	**214,451**		**(286)**	417,180	**402,847**	390,535
Health and welfare	59,195	**59,569**	35,920	**27,402**			95,115	**86,971**	90,897
Urban planning and development	145,152	**150,750**	67,729	**52,579**	(293)	**(364)**	212,588	**202,965**	194,755
Recreation and culture	389,418	**412,514**	76,894	**74,260**		**(1)**	466,312	**486,773**	474,440
Financing expenses	253,968	**232,474**	139,720	**132,934**			393,688	**365,408**	388,282
	1,975,408	**1,903,049**	2,430,230	**2,343,263**	(44,116)	**(49,813)**	4,361,522	**4,196,499**	4,114,347
Quota shares for financing urban agglomeration activities	1,729,699	**1,729,662**			(1,729,699)	**(1,729,662)**			
Operating surplus before financing and allocations	169,741	**355,907**	98,167	**215,116**			267,908	**571,023**	425,637
Financing									
Repayment of long-term debt	(221,044)	**(222,126)**	(161,121)	**(156,888)**			(382,165)	**(379,014)**	(376,004)
Allocations									
Capital asset activities	(19,743)	**(23,873)**	(10,838)	**(18,089)**			(30,581)	**(41,962)**	(17,915)
Restricted operating surplus	75,866	**63,122**		**153**			75,866	**63,275**	81,175
Financial reserves and reserved funds	(1,217)	**(28,033)**	(50,801)	**(66,673)**			(52,018)	**(94,706)**	(97,102)
Amount to be funded in the future	(3,603)	**(55,603)**	124,593	**46,113**			120,990	**(9,490)**	63,439
	51,303	**(44,387)**	62,954	**(38,496)**			114,257	**(82,883)**	29,597
Operating surplus for tax purposes for the year		**89,394**		**19,732**				**109,126**	79,230

The Island of Montréal and its population



The 19 boroughs of Montréal

The 15 other related municipalities

Montréal total population: 1,701,782

Total population of the Island of Montréal: 1,944,390

The Municipal Organization 2012

Pursuant to the *Act respecting the consultation of citizens with respect to the territorial reorganization of certain municipalities and the Act respecting the exercise of certain municipal powers in certain urban agglomerations*, the city's powers of administration are divided among the urban agglomeration and local authorities. As the central city of this urban agglomeration, Montréal continues to provide services and to manage collective equipment for all island residents, within the city itself and within the 15 reconstituted municipalities.

These common services are provided by Ville de Montréal employees. Since 2009, the Island of Montréal's 16 related municipalities will be required to fund all shared services that fall under the Urban Agglomeration Council's authority with quota shares. This system of funding urban agglomeration responsibilities results from legislative changes introduced by *An Act to amend various legislative provisions concerning Montréal (Bill 22)* that was adopted in June 2008.

This Act also makes changes to items falling under the Urban Agglomeration Council's authority. Arterial road system activities, for example, will now be under local authority, except for the definition of management and harmonization standards, general planning of the system and certain work that remains under the urban agglomeration's responsibility.
Furthermore, several items have been removed from the list of equipment, infrastructure and activities of collective interest set out in the Appendix to the *Order in Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and amendments), such as several large parks, cultural facilities, celebrations and festivals. Appendix 3 itemizes the items that remain under the urban agglomeration's responsibility.

Montréal Urban Agglomeration Council
The urban agglomeration is responsible for services provided to all island residents. These responsibilities are exercised by the Urban Agglomeration Council. This municipal political entity and decision-making body holds the authority to adopt any by-law, to authorize any expenditure and to levy any quota share throughout the Island of Montréal.

The Urban Agglomeration Council is designed to have a simple and democratic structure. Montréal's mayor selects representatives to accompany him to the Urban Agglomeration Council. Their briefs are set by the City Council, which defines the positions to be taken by its elected officials at the Urban Agglomeration Council. The same rule applies for the mayors of the reconstituted municipalities, who are bound by the guidelines of their respective city councils.

A total of 31 elected officials sit on the Urban Agglomeration Council. They are:

- The mayor of Montréal, who is its chair.
- 15 elected officials from Montréal's City Council, who are appointed by the mayor.
- 14 mayors of the reconstituted municipalities (Île-Dorval and Dorval share one representative), one of whom is appointed as vice-chair.
- An additional representative from Dollard-Des Ormeaux (because of the size of its population), who is appointed by the mayor of this municipality.

The representation of each of the 16 related municipalities within this council is proportional to its demographic weight. Montréal has a weight of 87% and the 15 reconstituted municipalities have 13%.

City Council and Borough Councils
Furthermore, in accordance with the various areas of activity defined in the *Charter of Ville de Montréal*, the city's local powers are distributed among the City Council and the borough councils.

The Montréal City Council continues to assume its responsibility toward local powers within the city, which will now have 19 boroughs. The borough councils are responsible for delivering their own local services.
The City Council now consists of the city mayor, plus 64 city councillors, 18 of whom are borough mayors. A borough council will have at least five members. These members include the borough mayor, its one or more city councillors and any borough councillors. There are now 19 boroughs, with 46 councillors, who also sit on the City Council and 38 borough councillors.

The cost of local service provided on the Montréal territory is covered using revenue from local property taxes, which are paid by all Montréal taxpayers. In some cases, taxpayers in a given borough may, according to decisions by their borough council, be required to pay a borough tax for local services.

Summary of Powers Falling under the Urban Agglomeration Council or the City and Borough Councils

Urban Agglomeration Powers

- Property assessment
- Police, fire and emergency preparedness services
- First responder services, except in Côte-Saint-Luc
- 9-1-1 emergency centre
- Implementation of fire coverage and public safety plans
- Municipal Court
- Social housing
- Assistance to the homeless
- Prevention and elimination of substance abuse and prostitution
- Waste disposal and reclamation, along with management of any hazardous substances
- Formulation and adoption of a solid waste management plan
- Municipal waterways
- Water supply and purification, except local mains
- Public transit
- Definition of minimum standards for the management and general planning of the arterial road system and work on specified roadways
- Economic and tourist promotion outside the limits of the related municipality
- Tourist information services
- Industrial parks
- Conseil des arts de Montréal (arts council)
- Equipment, infrastructure and activities of collective interest designated in the Order in *Council concerning the urban agglomeration of Montréal* (No. 1229-2005 and modifications)
- Contribution for Financing Montréal's Nature Museums Deficit
- Any other responsibilities formerly under the jurisdiction of an urban community in the event that the city took the place of the latter.

Local Powers

- Land use planning
- Building, public nuisance and public health regulations
- Housing
- Fire protection and emergency preparedness
- Waste collection and transportation
- Local and arterial road management
- Local water mains and sewer lines
- Local sports and recreational facilities
- Local libraries
- Local parks
- Local economic, community, cultural and social development
- Heritage
- The Commission des services électriques (electrical service commission)
- The Sociétés de développement commercial (SDCs)
- Industrial parks listed in by-law RCG 06 020
- Election organization

2012
Consolidated Financial Information

Management responsibility for financial reporting

The consolidated financial statements in this report are prepared in accordance with Canadian accounting standards for the public sector, as described in Note 2 to the consolidated financial statements.

The consolidated financial statements and all other information in this annual financial report are the responsibility of management. Management has also ensured consistency between the consolidated financial statements and all other information disclosed in the annual financial report.

To assess certain facts and operations, management has made estimates based on its best judgment of the situation and by taking into account materiality.

Management is responsible for maintaining appropriate internal control and accounting systems that provide reasonable assurance that the city's policies are adopted, that its operations are carried out in accordance with the appropriate laws and authorizations, that its assets are adequately safeguarded, and that the consolidated financial statements are based on reliable accounting records.

The city's powers and responsibilities are exercised either by the Urban Agglomeration Council, the City Council, or by the borough councils.

The Audit Committee is made up of seven members, two of which are members of the council representing the reconstituted municipalities and two are external members. Its responsibilities include overseeing financial reporting and presentation procedures, which includes reviewing the consolidated financial statement and other Information contained in this annual financial report.

The Auditor General of Montréal and the independent auditor, Deloitte s.e.n.c.r.l., have audited the consolidated financial statements and presented the following reports.

Jacques Marleau
Deputy Treasurer of Ville de Montréal

Robert Lamontagne, CPA, CA, MBA
Acting City Manager

March 25, 2013

Vérificateur général
de la Ville de Montréal

INDEPENDENT AUDITOR'S REPORT

To the Mayor,
The Chairman and the Members of the Executive Committee,
The Members of the Council of Ville de Montréal,
The Members of the Montréal Agglomeration Council

I have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2012 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Observations

Without modifying my opinion, I draw attention to Note 13 to the consolidated financial statements, which states that the City includes certain financial information prepared for tax purposes in its consolidated financial statements. Management has decided to present this information, which is not required under Canadian public sector accounting standards, as it deems it necessary for a more in-depth and relevant analysis of the activities carried out.

Auditor General of Montréal,

Jacques Bergeron, CPA auditor, CA

Montréal, March 25, 2013

Deloitte

Deloitte s.e.n.c.r.l.
1 Place Ville Marie
Suite 3000
Montreal QC H3B 4T9
Canada

Tel.: 514-393-7115
Fax: 514-390-4111
www.deloitte.ca

Independent auditor's report

To the Mayor,
the Chairman and the Members of the Executive Committee,
the Members of the Council of Ville de Montréal, and
the Members of the Montréal Agglomeration Council

We have audited the accompanying consolidated financial statements of Ville de Montréal, which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ville de Montréal as at December 31, 2012, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Observations

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Deloitte s.e.n.c.r.l.[1]

March 25, 2013

[1] CPA auditor, CA, public accountancy permit No. A116207

Consolidated Statement of Financial Position
As at December 31, 2012

	Note	2012	2011
		(in thousands of dollars)	
FINANCIAL ASSETS			
Cash and temporary investments	3	**292,421**	329,506
Investments	3	**2,657,785**	2,416,010
Accounts receivable	4	**2,812,567**	2,815,674
Assets held for sale		**8,684**	6,770
Loans	5	**26,006**	20,149
Employee future benefits asset	6	**48,525**	121,373
		5,845,988	5,709,482
LIABILITIES			
Temporary loans	7	**173,995**	179,057
Accounts payable, provisions and accrued liabilities	8	**1,443,038**	1,425,522
Deferred revenues	9	**175,268**	127,255
Long-term debt	10	**9,008,880**	8,785,294
		10,801,181	10,517,128
NET DEBT		**(4,955,193)**	(4,807,646)
NON-FINANCIAL ASSETS			
Capital assets	11	**10,545,890**	10,178,450
Assets held for sale		**73,048**	73,598
Inventories		**69,831**	66,619
Other non-financial assets	12	**326,988**	244,924
		11,015,757	10,563,591
ACCUMULATED SURPLUS	13	**6,060,564**	5,755,945
Commitments and contingencies	17		

See the accompanying notes and tables.

Consolidated Statement of Operations
Fiscal Year Ended December 31, 2012

(in thousands of dollars)

	Note	2012		2011
		Budget	Actual	Actual
Revenues				
Taxes		**2,840,775**	**2,855,776**	2,731,326
Payments in lieu of taxes		**233,378**	**241,638**	227,817
Quota shares		**393,326**	**393,230**	378,786
Transfers	*14*	**1,371,195**	**865,341**	880,419
Services rendered		**1,056,626**	**968,137**	923,617
Fee collection		**142,530**	**208,215**	174,551
Fines and penalties		**191,573**	**181,576**	181,379
Interest	*15*	**106,202**	**131,233**	121,815
Other revenues		**146,679**	**250,332**	221,280
		6,482,284	**6,095,478**	5,840,990
Expenditures				
General administration		**971,226**	**834,766**	830,123
Public security		**1,023,337**	**1,054,251**	986,721
Transportation		**1,987,359**	**1,924,724**	1,850,551
Environmental hygiene		**585,582**	**574,447**	551,408
Health and welfare		**141,351**	**133,200**	134,569
Urban planning and development		**240,310**	**231,360**	221,716
Recreation and culture		**560,792**	**587,557**	571,822
Financing expenses		**495,195**	**450,554**	469,742
		6,005,152	**5,790,859**	5,616,652
Surplus for the year		**477,132**	**304,619**	224,338
Accumulated surplus at beginning of year			**5,755,945**	5,531,607
Accumulated surplus at end of year			**6,060,564**	5,755,945

See the accompanying notes and tables.

Consolidated Statement of the Change in Net Debt

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

	2012		2011
	Budget	Actual	Actual
Surplus for the year	**477,132**	**304,619**	224,338
Change in capital assets			
Acquisition	**(1,930,309)**	**(1,073,995)**	(967,396)
Proceeds from sale	**2,960**	**6,626**	21,218
Amortization	**697,428**	**703,537**	669,276
Gain on sale	**(2,960)**	**(3,608)**	(9,006)
	(1,232,881)	**(367,440)**	(285,908)
Change in assets held for sale	**3,613**	**550**	(1,616)
Change in inventories		**(3,212)**	(1,335)
Change in other non-financial assets		**(82,064)**	(64,515)
	3,613	**(84,726)**	(67,466)
Integration of organizations			(20,448)
Change in net debt	**(752,136)**	**(147,547)**	(149,484)
Net debt at beginning of year	**(4,807,646)**	**(4,807,646)**	(4,658,162)
Net debt at end of year	**(5,559,782)**	**(4,955,193)**	(4,807,646)

See the accompanying notes and tables.

Consolidated Statement of Cash Flows
Fiscal Year Ended December 31, 2012

	(in thousands of dollars)	
	2012	**2011**
Operating activities		
Surplus for the year	**304,619**	224,338
Items not affecting cash		
Amortization of capital assets	**703,537**	669,276
Gain on sale of capital assets	**(3,608)**	(9,006)
Other	**(8,323)**	1,477
	996,225	886,085
Change in non-cash items		
Accounts receivable	**10,013**	(3,034)
Loans	**(5,857)**	4,047
Employee future benefits asset	**72,848**	289,777
Accounts payables, provisions, and accrued liabilities	**17,516**	(57,677)
Deferred revenues	**48,864**	45,941
Inventories	**(3,212)**	(1,335)
Other non-financial assets	**(82,064)**	(64,515)
	1,054,333	1,099,289
Capital investing activities		
Acquisition of capital assets	**(1,073,995)**	(967,396)
Proceeds from sale of capital assets	**6,626**	21,218
	(1,067,369)	(946,178)
Other investing activities		
Acquisition of investments	**(398,263)**	(585,494)
Proceeds from sale of investments	**156,488**	263,920
Net change in assets held for sale	**(1,364)**	(3,186)
Integration of organizations		11,920
	(243,139)	(312,840)
Financing activities		
Proceeds from long-term debt	**694,625**	991,011
Repayment of long-term debt, net of refinancings	**(346,756)**	(522,401)
Bond redemption by refinancing	**(123,717)**	(126,718)
Net change in temporary loans	**(5,062)**	(198,591)
	219,090	143,301
Decrease in cash and cash equivalents	**(37,085)**	(16,428)
Cash and cash equivalents at beginning of year	**329,506**	345,934
Cash and cash equivalents at end of year	**292,421**	329,506

Cash and cash equivalents consist of cash and temporary investments of 90 days or less from the acquisition date.

See the accompanying notes and tables.

Segment Disclosures
As at December 31, 2012

SCHEDULE 1 – CONSOLIDATED FINANCIAL POSITION BY ORGANIZATION *(in thousands of dollars)*

	2012				2011
	Municipal administration	Controlled organizations	Eliminations	Total	Total
FINANCIAL ASSETS					
Cash and temporary investments	171,930	120,491		**292,421**	329,506
Investments	2,222,581	435,204		**2,657,785**	2,416,010
Accounts receivable	2,045,573	1,018,117	(251,123)	**2,812,567**	2,815,674
Assets held for sale	3,371	5,313		**8,684**	6,770
Loans	37,123	21,883	(33,000)	**26,006**	20,149
Employee future benefits asset (liability)	(189,289)	237,814		**48,525**	121,373
	4,291,289	1,838,822	(284,123)	**5,845,988**	5,709,482
LIABILITIES					
Temporary loans		173,995		**173,995**	179,057
Accounts payable, provisions and accrued liabilities	1,218,380	276,922	(52,264)	**1,443,038**	1,425,522
Deferred revenues	152,835	46,433	(24,000)	**175,268**	127,255
Long-term debt	7,083,816	2,156,923	(231,859)	**9,008,880**	8,785,294
	8,455,031	2,654,273	(308,123)	**10,801,181**	10,517,128
NET DEBT	(4,163,742)	(815,451)	24,000	**(4,955,193)**	(4,807,646)
NON-FINANCIAL ASSETS					
Capital assets	7,880,232	2,665,658		**10,545,890**	10,178,450
Assets held for sale	49,030	24,018		**73,048**	73,598
Inventories	29,352	40,479		**69,831**	66,619
Other non-financial assets	37,278	313,710	(24,000)	**326,988**	244,924
	7,995,892	3,043,865	(24,000)	**11,015,757**	10,563,591
ACCUMULATED SURPLUS					
Unrestricted operating surplus (deficit)	102,912	(52,540)		**50,372**	18,634
Restricted operating surplus	215,516	54,321		**269,837**	260,909
Financial reserves and reserved funds	273,406	6,826		**280,232**	220,314
Surplus (deficit) from capital asset activities	(354,579)	23,012	(5,517)	**(337,084)**	(55,266)
Amount to be funded in the future	(973,859)	200,212	32,285	**(741,362)**	(751,352)
Net investment in capital assets	4,568,754	1,996,583	(26,768)	**6,538,569**	6,062,706
	3,832,150	2,228,414		**6,060,564**	5,755,945

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2012

SCHEDULE 2 – CONSOLIDATED ITEMIZED OPERATIONS BY ORGANIZATION *(in thousands of dollars)*

	2012				2011
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues					
Operating					
Taxes	2,871,471		(15,695)	**2,855,776**	2,731,326
Payments in lieu of taxes	241,638			**241,638**	227,817
Quota shares	393,230	372,900	(372,900)	**393,230**	378,786
Transfers	381,638	152,707		**534,345**	490,691
Services rendered	294,975	755,517	(82,355)	**968,137**	923,617
Fee collection	208,215			**208,215**	174,551
Fines and penalties	181,576			**181,576**	181,379
Interest	117,079	14,841	(687)	**131,233**	121,815
Other revenues	75,389	166,939	(31,715)	**210,613**	196,792
	4,765,211	1,462,904	(503,352)	**5,724,763**	5,426,774
Capital Assets					
Quota shares		2,786	(2,786)		
Transfers	173,720	157,276		**330,996**	389,728
Other revenues					
Developers' contributions	26,865			**26,865**	18,131
Other	12,854			**12,854**	6,357
	213,439	160,062	(2,786)	**370,715**	414,216
	4,978,650	1,622,966	(506,138)	**6,095,478**	5,840,990
Expenditures					
General administration	840,661		(5,895)	**834,766**	830,123
Public security	1,054,251			**1,054,251**	986,721
Transportation	994,584	1,379,462	(449,322)	**1,924,724**	1,850,551
Environmental hygiene	574,864		(417)	**574,447**	551,408
Health and welfare	87,792	54,053	(8,645)	**133,200**	134,569
Urban planning and development	232,674	8,662	(9,976)	**231,360**	221,716
Recreation and culture	564,579	48,304	(25,326)	**587,557**	571,822
Financing expenses	365,408	91,703	(6,557)	**450,554**	469,742
	4,714,813	1,582,184	(506,138)	**5,790,859**	5,616,652
Surplus for the year	263,837	40,782		**304,619**	224,338

See the accompanying notes and tables.

Segment Disclosures (continued)

Fiscal Year Ended December 31, 2012

SCHEDULE 3 – RECONCILIATION OF THE CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY ORGANIZATION *(in thousands of dollars)*

	2012					2011
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Surplus for the year	477,132	263,837	40,782		**304,619**	224,338
Less: revenues from capital asset activities	(839,932)	(213,439)	(160,062)	2,786	**(370,715)**	(414,216)
Operating surplus (deficit) before reconciliation for tax purposes for the year	(362,800)	50,398	(119,280)	2,786	**(66,096)**	(189,878)
Reconciliation for tax purposes						
Capital assets						
Proceeds from sale	2,960	5,477	1,149		**6,626**	21,218
Amortization	697,428	518,314	185,223		**703,537**	669,276
Gain on sale	(2,960)	(3,166)	(442)		**(3,608)**	(9,006)
	697,428	520,625	185,930		**706,555**	681,488
Financing						
Repayment of long-term debt	(468,231)	(379,014)	(36,160)	(7,622)	**(422,796)**	(471,252)
Allocations						
Capital asset activities	(40,631)	(41,962)	(14,844)	(2,786)	**(59,592)**	(57,217)
Restricted operating surplus	79,282	63,275	5,721		**68,996**	84,171
Financial reserves and reserved funds	(52,018)	(94,706)	(984)		**(95,690)**	(98,428)
Amount to be funded in the future	172,527	(9,490)	(8,122)	7,622	**(9,990)**	153,840
	159,160	(82,883)	(18,229)	4,836	**(96,276)**	82,366
Operating surplus for tax purposes for the year	25,557	109,126	12,261		**121,387**	102,724

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2012

SCHEDULE 4 – RECONCILIATION OF CONSOLIDATED SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY ORGANIZATION

(in thousands of dollars)

	2012					2011
	Consolidated budget	Municipal administration	Controlled organizations	Eliminations	Total	Total
Revenues from capital asset activities	839,932	213,439	160,062	(2,786)	**370,715**	414,216
Reconciliation for tax purposes						
Capital assets						
Acquisition						
General administration	(64,356)	(53,576)			**(53,576)**	(40,199)
Public security	(50,762)	(25,079)			**(25,079)**	(26,326)
Transportation	(947,890)	(255,689)	(235,637)		**(491,326)**	(491,225)
Environmental hygiene	(437,207)	(243,591)			**(243,591)**	(203,329)
Health and welfare	(5,000)	(770)	(1,053)		**(1,823)**	(9,875)
Urban planning and development	(111,018)	(41,364)	(1,712)		**(43,076)**	(62,995)
Recreation and culture	(314,076)	(215,400)	(124)		**(215,524)**	(133,447)
	(1,930,309)	(835,469)	(238,526)		**(1,073,995)**	(967,396)
Financing						
Long-term financing of capital asset activities	941,983	194,834	115,641	3,900	**314,375**	552,154
Allocations						
Operating activities	40,631	41,962	14,844	2,786	**59,592**	57,217
Restricted operating surplus		11,750			**11,750**	13,445
Financial reserves and reserved funds	107,763	35,771			**35,771**	59,372
	148,394	89,483	14,844	2,786	**107,113**	130,034
Surplus (deficit) from capital asset activities for tax purposes for the year		(337,713)	52,021	3,900	**(281,792)**	129,008

See the accompanying notes and tables.

Segment Disclosures (continued)
Fiscal Year Ended December 31, 2012

SCHEDULE 5 – CONSOLIDATED EXPENDITURES BY ITEM AND BY ORGANIZATION

(in thousands of dollars)

	2012				2011
	Municipal administration	Controlled organizations	Eliminations	Total	Total
Remuneration					
Elected officials	9,376	131		**9,507**	10,996
Employees	1,565,438	667,064	(4,330)	**2,228,172**	2,115,701
Employer contributions					
Elected officials	3,866	51		**3,917**	3,673
Employees	857,892	182,099		**1,039,991**	1,009,007
Transportation and communication	42,129	146,569	(1,092)	**187,606**	184,219
Professionnal, technical and other services					
Professional fees	44,059	32,936		**76,995**	60,135
Purchase of technical services	274,218	42,940	(13,957)	**303,201**	285,712
Other	2,922	15,894		**18,816**	17,961
Leasing, maintenance and repair					
Leasing	91,050	19,261	(17,789)	**92,522**	84,419
Maintenance and repair	61,483	31,140		**92,623**	89,707
Durable goods					
Construction	13,443	3,872		**17,315**	18,476
Other durable goods	877	29,296		**30,173**	23,904
Non-durable goods					
Delivery of public services	81,536	14,087	(8,922)	**86,701**	82,676
Other non-durable goods	133,313	53,006		**186,319**	188,607
Financing expenses					
Interest and other charges on long-term debt borne by:					
The municipality	270,856	36,665	(6,557)	**300,964**	316,977
Government of Québec and its enterprises	72,471	51,572		**124,043**	121,263
Other third parties	21,466	38		**21,504**	24,090
Other financing expenses	615	3,428		**4,043**	7,412
Contributions to organizations					
Municipal organizations					
Société de transport de Montréal	375,652		(375,652)		
Communauté métropolitaine de Montréal	29,517			**29,517**	29,510
Reconstituted municipalities	222			**222**	
Other	27,681		(27,681)		1,778
Government organizations					
Agence métropolitaine de transport	50,777			**50,777**	47,701
Other	10,913			**10,913**	10,289
Other organizations	115,617	11,186	(802)	**126,001**	121,273
Amortization of capital assets	518,314	185,223		**703,537**	669,276
Other items					
Doubtful accounts or bad debts	15,467	2,216		**17,683**	20,878
Other	23,643	53,510	(49,356)	**27,797**	71,012
	4,714,813	1,582,184	(506,138)	**5,790,859**	5,616,652

See the accompanying notes and tables.

Notes and Tables to the Consolidated Financial Statements
December 31, 2012

1- GOVERNING STATUTE

Ville de Montréal (the City) is a municipal corporation incorporated on January 1, 2002 under the *Charter of the City of Montréal* (R.S.Q., chapter C-11-4).

On January 1, 2006, following the results of a referendum held in 2004 under *An Act regarding public consultation on the territorial reorganization of certain municipalities* (S.Q. 2003, chapter 14), the former municipalities of Baie-d'Urfé, Beaconsfield, Côte-Saint-Luc, Dollard-Des-Ormeaux, Dorval, Hampstead, Kirkland, Île-Dorval, Montréal-Est, Montréal-Ouest, Ville Mont-Royal, Pointe-Claire, Sainte-Anne-de-Bellevue, Village de Senneville and Westmount were reconstituted. As a result, Ville de Montréal now consists of 19 remaining boroughs that comprise 87% of the total population of the island of Montréal. In accordance with the provisions of this Act, all municipalities located on the island of Montréal, however, remain related to one another and form an agglomeration consistent with the territory of Ville de Montréal as it existed on December 31, 2005.

An Act respecting the exercise of certain municipal powers in certain urban agglomerations (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005), and its amendments lists and defines the powers of the urban agglomeration. Under this Act, Ville de Montréal is the central municipality in charge of exercising, in addition to its local powers, the powers of the agglomeration.

The agglomeration is headed by the City's Urban Agglomeration Council, a political and decision-making body vested with decision-making powers related to urban agglomeration responsibilities. The Urban Agglomeration Council is a central municipal legislative body, separate from city council under Section 14 of the Charter of the City of Montréal. It is made up of representatives of each related municipality, with the number of representatives of each municipality being determined proportionately to the relative size of their populations.

2- SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

The term "City," as used in the segment disclosures, accompanying notes and tables, refers to the entity made up of Ville de Montréal and the organizations under its control. The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

The significant accounting policies are as follows:

a) Principles of consolidation

The consolidated financial statements include the accounts of the City and of the organizations under its control. These organizations include the Société de transport de Montréal (the STM), the Société d'habitation et de développement de Montréal, the Montréal Technoparc, the Société du parc Jean-Drapeau, the Conseil des arts de Montréal, the Conseil interculturel de Montréal, the Office de consultation publique de Montréal, the Société de gestion NauBerges de Lachine, Anjou 80, the Société vélo en libre-service and the Société en commandite Stationnement de Montréal. Transactions concluded between these organizations and reciprocal balances are eliminated.

b) Accounting method

Transactions are recorded in the City's books using the accrual basis of accounting. Under this method, assets, liabilities, revenues and expenditures are recognized in the year in which the events and transactions occur.

c) Use of estimates

Preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that affect the reported amounts of revenues, expenditures, assets, liabilities, and commitments and contingencies. Actual results could differ from these estimates.

The main estimates made relate to the following items: the allowance for doubtful accounts, the net realizable values of assets held for sale, the estimated useful lives of capital assets, provisions for salaries and benefits, liabilities for solid waste landfill closure and post-closure costs, contested valuations and legal claims and actuarial assumptions for establishing employee future benefits asset and expenses.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Temporary investments are recorded at the lower of cost and fair value.

Other investments are recorded at cost and written down when there is a permanent decline in value. Discounts or premiums on investments are amortized on a straight-line basis until maturity. Amounts accumulated in "Investments – Sinking Fund" are restricted to the repayment of long-term loans that do not require annual repayment.

e) Assets held for sale

Assets held for sale are recorded at the lower of cost and net realizable value. The portion of these assets held for selling purposes for the subsequent year is presented in financial assets.

f) Loans

Loans are presented at cost. Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion. The discount is amortized over the term of the loan using the effective interest method.

g) Provision for contested valuations

The provision for contested valuations is an estimate of refunds (both principal and interest) that may result from court decisions on contested real estate valuations or rental values and on contested classifications under the *Act respecting Municipal Taxation*.

h) Deferred revenues

Premiums on the issuance of securities are amortized on a straight-line basis over the term of the related loans. Unrealized net foreign exchange gains are amortized using the method described in Note 2 r).

i) Other non-financial assets

The City records capital assets and other non-financial assets as assets since they can be used to provide services in subsequent years. These assets do not usually provide resources assigned to the settlement of its liabilities unless they are sold.

j) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the following estimated useful lives:

Infrastructures	10 to 40 years
Metro system	25 to 100 years
Buildings	20 to 40 years
Leasehold improvements	lease term
Vehicles	5 to 25 years
Office furniture and equipment	5 to 10 years
Machinery, tools and equipment	5 to 25 years
Other	20 to 25 years

Capital assets in the process of completion are only amortized when they can be used in the production of goods or in the provision of services.

Land used as road foundations, otherwise acquired by a purchase contract, is recorded at a nominal value of $1. Other land is recorded at cost. When the cost cannot be traced, it is estimated.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Inventories

Inventories are recorded at cost, which is determined using the average cost method. Obsolete inventory is written off.

l) Other non-financial assets

Securities issuance costs are amortized on a straight-line basis over the terms of the related borrowings.

m) Quota shares

The expenditures incurred by the City in exercising urban agglomeration responsibilities are invoiced to the municipalities related to the agglomeration. Revenues from this invoicing are recorded as quota shares in the Statement of Operations.

n) Transfer revenues

Transfer revenues are recorded in the Statement of Operations when the related operating and capital expenditures are recorded, provided that the City meets the eligibility criteria and a reasonable estimate of the amounts can be made.

o) Employee future benefits asset and expenses

- Defined benefit plans

Plan assets reflect the year-end difference existing between the value of the accrued benefit obligations and the value of plan assets, net of unamortized actuarial gains and losses and the valuation allowance. The actuarial valuation of these assets or liabilities is determined using the projected benefit method prorated on years of service with salary projection. It is also based on actuarial assumptions that include management's best estimates on, among other things, discount rates, the expected rate of return on plan assets, and the rate of compensation increase and healthcare costs.

Plan assets are valued using a market-related value, determined over a period not exceeding five years.

Past service costs related to plan amendments are recognized in the year during which the amendments are made.

Actuarial gains and losses resulting from the difference between the actual and the expected rate of return on plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. As at December 31, 2012, this weighted average remaining service life is 13 years.

- Defined contribution plans and pension plan for elected officials

The pension expense for these plans is recognized when contributions are due.

p) Liabilities for solid waste landfill closure and post-closure costs

The City records a liability for closure and post-closure costs of solid waste landfills that it has operated. The liability provision for these costs is an estimate of the costs required to provide final cover for closed landfills and to monitor and maintain the biogas and leachate collection and treatment systems for an estimated period of 20 years. These estimated costs are recognized based on the landfill capacity already used.

The assumptions used to calculate these costs are periodically reviewed to account for advancements made in solid waste landfill management practices.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Environmental obligations

The City records an environmental liability when it is likely that corrective measures will be applied and the costs of these measures can be reasonably estimated.

r) Foreign currency translation

Revenues and expenditures related to foreign currency transactions are translated into Canadian dollars using the exchange rates in effect on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates in effect on the reporting date, and foreign exchange gains or losses are immediately charged to the Statement of Operations if they are short-term cash items.

Loan repayments and payments to the Sinking Fund, with respect to loans denominated in foreign currencies that are not subject to a hedge against currency exposure, are translated using the exchange rates in effect on the transaction dates. For these loans, gains and losses resulting from the difference between the original conversion rate and conversion rate used on the repayment or payment date are recorded in the Statement of Operations.

The unamortized foreign exchange gain or loss relating to a long-term foreign currency denominated item, but not subject to a hedge against currency exposure, is recognized in the Statement of Financial Position as a deferred item and charged to the Statement of Operations using the straight-line method over the remaining term of the loans.

s) Derivative financial instruments

The City uses derivative financial instruments to reduce its currency and interest rate risk exposure on long-term debt and applies hedge accounting in its eligible hedging relationships in order to benefit from hedge accounting. When implemented, the foreign exchange hedging relationships must be fully documented as required under standard PS 2600, Foreign Currency Translation, and the City must secure efficient relationships for managing the attendant risks. Then the current hedging relationships are evaluated on an annual basis to ensure that they continue to be efficient, and it is expected that they will remain efficient. The efficiency of a hedging relationship is generally evaluated by analyzing whether the main terms of the swap match those of the debt covered. The City does not use financial instruments for trading or speculative purposes.

The City uses cross-currency swaps to manage the risk associated with loans denominated in foreign currencies. The value of currency swaps is determined by applying the change between the foreign exchange rates stipulated in the swap contracts and exchange rates in effect on the reporting date to the notional amounts of the swaps. Those that constitute financial assets are deducted from long-term debt, and those that constitute financial liabilities are added to long-term debt. Gains and losses on these derivatives are recognized in the same period as the exchange gains and losses related to the corresponding debt and are charged against the latter.

Furthermore, the City uses interest rate swaps to manage interest rate risk related to its debt. These contracts result in interest exchanges that are recorded as an adjustment to financing expenses for the year. The amounts payable to counterparties or receivable from counterparties are recorded as an adjustment to the accrued interest on the corresponding debt; otherwise, the value of the interest rate swap contracts is not recorded in the Statement of Financial Position.

t) Urban agglomeration responsibilities

Under an *Act respecting the exercise of certain municipal powers in certain urban agglomerations* (R.S.Q., chapter E-20.001), the City, in addition to its local powers, exercises agglomeration powers over the entire territory of related municipalities. The main agglomeration powers cover the following areas: municipal assessments; public transit; certain functions related to the thoroughfares forming the arterial road system; water supply and water purification; disposal and reclamation of residual materials; municipal watercourses; police, emergency preparedness, fire protection and first responder services (except for the territory of the municipality of Côte-Saint-Luc); the municipal court; social housing and assistance to the homeless; and certain components of economic development. Tables 1 and 2 provide a breakdown of the operating activities and capital asset surplus for tax purposes according to both local and agglomeration responsibilities.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Sectorization and presentation of operations

The City's financial position, operations, operating and capital asset surplus (deficit) for the year for tax purposes, and by-item expenditures are broken down between the following sectors: municipal administration and controlled organizations.

Expenditures are broken down as follows:

The "General administration" item refers to all municipal administration and management activity. Expenditures relate primarily to council activities, applications of the law, and financial, administrative and staff management.

The "Public security" item refers to all activities involving the protection of people and property. It includes all expenditures related to control, prevention and emergency measures regarding emergency preparedness.

The "Transportation" item refers to all activities related to planning, organizing and maintaining road systems and to the transportation of people and goods.

The "Environmental hygiene" item refers to all expenditures related to water, sewers, waste removal, and environmental protection.

The "Health and welfare" item refers to all community health and welfare services.

The "Urban planning and development" item refers to the development and maintenance of the urban development plan or city plan as well as all expenditures related to developing the City's economic development programs.

The "Recreation and culture" item refers to all the planning, organizing, and managing of recreational and cultural programs.

The "Financing expenses" item refers to the interest and other charges involved in financing.

v) Budget information

The Consolidated Statement of Operations and the Consolidated Statement of Change in Net Debt include a comparison with consolidated budget data, adjusted in accordance with Canadian public sector accounting standards. The consolidated budget is prepared by combining the unconsolidated budget adopted by the municipal administration with the budgets adopted by the main controlled organizations, after eliminating reciprocal transactions. This budget information has not been audited.

A comparison with the unconsolidated budget, adopted in December 2011 by the city council and the Urban Agglomeration Council, is also presented in the schedules and tables prepared for tax purposes.

3- CASH AND INVESTMENTS
(in thousands of dollars)

	2012			2011
	Sinking Fund	Other	Total	Total
Cash and temporary investments				
Cash		107,395	107,395	49,077
Temporary investments		185,026	185,026	280,429
		292,421	292,421	329,506
Investments				
Term deposits and other securities	222,058	541,735	763,793	879,288
Bonds and debentures	1,640,277	253,715	1,893,992	1,536,722
	1,862,335	795,450	2,657,785	2,416,010

Temporary investments with a term of 90 days or less effective on the acquisition date, essentialiy include notes, bankers' acceptances and deposit certificates. They bear interest at rates varying between 0.85% and 1.80% (0.75% and 2.02% in 2011).

As at December 31, 2012, the fair value of investments was $2,775.4 million ($2,550 million in 2011).

As at December 31, 2011, the Sinking Fund and other investments totalled $1,539.8 million and $876.2 million, respectively.

Bonds and debentures held by the City essentially comprise securities issued by governments and their bodies and by municipalities, school boards, CEGEPs, CLSCs and hospitals. In particular, they include City bonds and debentures totalling $415.6 million ($361.9 million in 2011).

Substantially all of the investments were denominated in Canadian dollars as at December 31, 2012 and December 31, 2011. The maturities of Sinking Fund investments held by the City are as follows:

	Term deposits and other securities	Bonds and debentures	Total	Weighted nominal interest rate
December 31, 2012				
2013	763,793	102,530	866,323	1.85 %
2014		160,727	160,727	5.57 %
2015		108,104	108,104	3.97 %
2016		169,114	169,114	3.65 %
2017		390,246	390,246	3.60 %
1 to 5 years	763,793	930,721	1,694,514	2.92 %
6 to 10 years		842,943	842,943	4.40 %
11 to 15 years		68,197	68,197	4.66 %
16 to 20 years		52,131	52,131	3.92 %
	763,793	1,893,992	2,657,785	
December 31, 2011				
2012	879,288	52,717	932,005	1.71%
2013		95,367	95,367	4.80%
2014		139,573	139,573	5.85%
2015		101,059	101,059	3.93%
2016		169,003	169,003	3.71%
1 to 5 years	879,288	557,719	1,437,007	2.71%
6 to 10 years		893,953	893,953	4.56%
11 to 15 years		78,856	78,856	4.50%
16 to 20 years		6,194	6,194	4.62%
	879,288	1,536,722	2,416,010	

4- ACCOUNTS RECEIVABLE

(in thousands of dollars)

	2012	2011
Taxes	76,759	79,029
Government of Canada and its enterprises	65,767	147,301
Government of Québec and its enterprises	2,229,617	2,218,997
Municipal organizations	1,797	5,511
Services rendered and other	438,627	364,836
	2,812,567	2,815,674

An allow ance for doubtful accounts of $124.5 million ($112.4 million in 2011) has been deducted from accounts receivable.

An organization has entered into a factoring agreement with a financial institution. The agreement allows the organization to have access to a maximum of $40 million, supported by the factoring of short-term accounts receivable. Accounts receivable in the amount of $3.6 million ($12.4 million in 2011) were factored to the financial institution, at no time exceeding the authorized amount. The factoring cost of these accounts receivable is $0.1 million ($0.1 million in 2011) and is included in transportation expenses in the statement of operations.

	2012	2011
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,959,903	1,904,048

The fair value of the receivables to be used to repay long-term debt is $2,166.4 million ($2,130.3 million in 2011).

Accounts receivable collected for the repayment of long-term debt, for which repayment terms were determined as at December 31, 2012, are as follows:

	Receipts	Weighted nominal interest rate	Refinancing
December 31, 2012			
2013	105,504	5.27 %	55,611
2014	186,756	5.10 %	73,012
2015	72,819	5.42 %	64,174
2016	94,438	5.33 %	13,715
2017	214,581	5.10 %	27,443
1 to 5 years	674,098	5.19 %	233,955
6 to 10 years	778,462	4.66 %	71,465
11 to 15 years	63,156	5.82 %	6,345
16 to 20 years	34,337	3.98 %	
	1,550,053	4.93 %	311,765
December 31, 2011			
2012	135,426	5.24%	37,611
2013	109,762	5.27%	55,799
2014	178,103	5.13%	73,012
2015	75,940	5.40%	64,175
2016	93,049	5.37%	13,715
1 to 5 years	592,280	5.25%	244,312
6 to 10 years	755,008	5.04%	84,021
11 to 15 years	88,685	5.98%	8,506
16 to 20 years	1,940	4.33%	
	1,437,913	5.19%	336,839

5- LOANS

(in thousands of dollars)

	2012	2011
Loans	23,562	15,986
Balances of sales prices	2,444	4,163
	26,006	20,149

The loans, secured by mortgages in an amount of $10.9 million and maturing from 2013 to 2033, bear interest at rates varying between 0% and 9% (amount of $12.1 million maturing from 2012 to 2033 at rates varying between 0% and 9% in 2011). An amount of $3.8 million has been deducted from the value of the loans to present them at discounted face value ($4 million in 2011).

As at December 31, 2012, balances of sales prices, which mature from 2013 to 2017, bear interest at rates varying between 3.5% and 9% (maturing from 2012 to 2017 at interest rates varying between 3.5% and 9% in 2011).

As at December 31, 2012, the fair value of loans and the balances of sales prices was $24.4 million ($18.4 million in 2011).

6- EMPLOYEE FUTURE BENEFITS ASSET

(in thousands of dollars)

	2012	2011
Defined benefit pension plans	290,469	355,610
Other plans	(241,944)	(234,237)
Asset employee future benefits	48,525	121,373

Expenses for the defined benefit plans totalled $707.6 million ($677.2 million in 2011). Expenses for the defined contribution plans and the pension plans of elected officials totalled $0.4 million ($0.4 million in 2011) and $2.1 million ($2.2 million in 2011), respectively.

Defined benefit plans

a) Description of plans

The City offers various defined benefit pension plans to most of its employees. Under these plans, benefits paid to employees are based on the number of years of service and the average salary for the highest paid years. The City's contributions are determined according to various actuarial methods.

Other retirement benefits, including life insurance and insurance coverage for medical and dental costs, are also provided to certain employees. Certain post-employment benefits are also provided and include, in particular, income replacement benefits, supplemental unemployment benefits, maintenance of coverage during periods of temporary absence and certain termination allowances. These plans are not funded.

6- EMPLOYEE FUTURE BENEFITS ASSET
(in thousands of dollars)

b) Reconciliation of the funded status of the benefit plans with the amounts recorded in the Consolidated Statement of Financial Position

	2012		2011	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial value of plan assets	13,277,625		12,448,874	
Accrued benefit obligation	(15,404,019)	(250,038)	(15,045,303)	(259,525)
Capitalization deficit	(2,126,394)	(250,038)	(2,596,429)	(259,525)
Unamortized actuarial losses	2,486,750	8,094	3,042,688	25,288
Accrued benefit asset (liability)	360,356	(241,944)	446,259	(234,237)
Valuation allowance	(69,887)		(90,649)	
Employee future benefits asset (liability)	290,469	(241,944)	355,610	(234,237)

c) Plans in which the accrued benefit obligation exceeds the plan assets

	2012		2011	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(12,906,860)	(250,038)	(12,642,295)	(259,525)
Actuarial value of plan assets	10,708,538		9,954,885	
Capitalization deficit	(2,198,322)	(250,038)	(2,687,410)	(259,525)

d) Actuarial value of plan assets

	2012		2011	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	12,448,874		12,466,188	
Expected return on plan assets	751,917		778,280	
Loss during the year on the expected return on plan assets	161,927		(473,680)	
Actual return on plan assets	913,844		304,600	
Contributions for the year	751,317	11,386	492,703	10,591
Benefits paid	(836,410)	(11,386)	(814,617)	(10,591)
Balance at end	13,277,625		12,448,874	
Fair value of plan assets	13,159,741		12,283,068	

6- EMPLOYEE FUTURE BENEFITS ASSET (continued)
(in thousands of dollars)

e) Accrued benefit obligation

	2012		2011	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning	15,045,303	259,525	14,057,032	229,578
Current service cost	415,228	9,270	364,480	7,953
Past service cost	7,340		98,944	
Benefits paid	(836,410)	(11,386)	(814,617)	(10,591)
Interest cost on the obligation	895,415	11,236	876,251	10,858
(Gain) loss on the obligation during the year	(122,857)	(18,607)	463,213	21,727
Balance at end	15,404,019	250,038	15,045,303	259,525

f) Components of the expense for defined benefits plans

	2012		2011	
	Pension plans	Other plans	Pension plans	Other plans
Current service cost	415,228	9,270	364,480	7,953
Past service cost	7,340		98,944	
Employee contributions	(127,928)		(113,824)	
Unamortized actuarial gains recognized upon plan amendments			(488)	
Amortization of actuarial losses (gains)	271,154	(1,413)	198,335	(3,190)
Retirement benefits expense	565,794	7,857	547,447	4,763
Interest cost on the obligation	895,415	11,236	876,251	10,858
Expected return on plan assets	(751,917)		(778,280)	
Interest cost	143,498	11,236	97,971	10,858
Change in valuation allowance	(20,762)		16,208	
Total expense	688,530	19,093	661,626	15,621

6- EMPLOYEE FUTURE BENEFITS ASSET
(in thousands of dollars)

g) Principal actuarial assumptions (weighted rates)

The principal actuarial assumptions used in the actuarial valuations performed from December 31, 2009 to December 31, 2012 are as follows:

	2012		2011	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	6,00%	3.75% to 4.50%	6.00% to 6.20%	3.75% to 5.00%
Rate of expected return on plan assets	6,00%		6.00% to 6.25%	
Inflation rate	2.00% to 2.25%	2.00% to 2.25%	2.00% to 2.50%	2.00% to 2.50%
Salary escalation rate	2.50% to 3.00%	2.96% to 3.25 %	2.96% to 3.00%	3.23% to 3.25%
Initial growth rate for healthcare costs		5.30% to 9.14%		6.50% to 9.42%
Ultimate growth rate for healthcare costs		4.00% to 5.50 %		4.30% to 7.00%
Years when rate is expected to stabilize		2025 and 2032		2024 and 2025
Initial growth rate for dental care costs		4.00 % to 5.00 %		4.00% to 5.00%

Defined contribution plans and plans of elected officials

a) Description of plans

Some employees are members of defined contribution plans, under which the City's contribution represents a percentage of pay. Elected officials are members of defined benefit pension plans administered by the Commission administrative des régimes de retraite et d'assurances du Québec. The City's contributions are determined by the government.

b) Employer contributions

	2012	2011
Defined contribution plans	438	427
Pension plans of elected officials	2 109	2 177

7- TEMPORARY LOANS

The City has levers for its short-term liquidity needs that totalled $1,761.7 million as at December 31, 2012 ($1,714.8 million in 2011).

Of this amount, $1,448.7 million ($500 million under the limit set by the STM and $948.7 million under the *Charter of the City of Montréal*, which authorizes up to 20% of the budgetary appropriations) may be borrowed, in whole or in part, through notes, bankers' acceptances or securities that may be negotiated with chartered banks or on the open market for short-term borrowings. As at December 31, 2012, the nominal value of commercial paper issuances was $160.9 million ($172.9 million in 2011) and the average rate on these temporary loans was 1.13% (1.12% in 2011).

The City also has demand lines of credit from different banks totalling $313 million. As at December 31, 2012, the amount of the credit used was $13.1 million ($6.2 million in 2011) and bears interest at an average rate of 2.79% (1.27% in 2011).

Notes and Tables to the Consolidated Financial Statements (continued)
December 31, 2012

8- ACCOUNTS PAYABLE, PROVISIONS AND ACCRUED LIABILITIES
(in thousands of dollars)

	2012	2011
Trade accounts payable	492,806	388,362
Salaries, source deductions and employee benefits	569,215	576,106
Accrued interest payable on long-term debt	77,061	80,242
Provisions		
Solid waste landfill closure and post-closure costs	38,399	41,227
Contested valuations	17,539	50,709
Other	82,011	121,199
Deposits and holdbacks	108,937	88,009
Government of Québec and its enterprises	9,724	18,807
Government of Canada and its enterprises	5,331	10,202
Other	42,015	50,659
	1,443,038	1,425,522

9- DEFERRED REVENUES
(in thousands of dollars)

	2,012	2,011
Premium upon issuance of securities	65,411	57,511
Transfers	33,220	10,436
Transit fares	20,008	17,967
Automobile registration taxes	15,232	15,666
Other	41,397	25,675
	175,268	127,255

10- LONG-TERM DEBT
(in thousands of dollars)

	2012	2011
Bonds and notes		
In Canadian dollars (1)	8,771,695	8,500,667
In foreign currencies	51,042	86,533
Other long-term debt		
Obligations under capital leases	1,503	1,915
Term loans and mortgages (2)	148,873	160,393
Other	35,767	35,786
	9,008,880	8,785,294

(1) Includes the long-term debt related to repaying the net pension plan obligation totalling $1,302.1 million ($1,308.9 million in 2011).

(2) Mortgages in the amount of $43.1 million ($49.1 million in 2011) are guaranteed by properties with a carrying value of $47.7 million ($49.8 million in 2011).

10- LONG-TERM DEBT (continued)
(in thousands of dollars)

The repayment of the long-term debt is allocated as follows:

	2012	2011
Chargeable to taxpayers		
Of the central municipality	2,927,392	3,059,984
Of the agglomeration	1,920,919	1,962,238
Accumulated amounts in the Sinking Fund	1,862,335	1,539,855
Receivables amount to be used to repay long-term debt		
Government of Québec and its enterprises	1,959,903	1,904,048
Amount recoverable through user fees	338,331	319,169
	9,008,880	8,785,294

The City uses currency and interest-rate swap agreements for loans totalling $334.9 million ($322.7 million in 2011). The financial liabilities associated with these swaps, which amount to $18 million ($48.6 million in 2011), are included in the long-term debt amount.

Considering the existence of these swaps, substantially all of the loans contracted by the City bear interest at a fixed rate. As at December 31, 2012, unhedged foreign exchange loans amounted to $51 million ($86.5 million in 2011) and the foreign exchange loss on these loans amounted to $23.1million ($19.5 million in 2011). In this regard, an amount of $20.6 million ($24.8 million in 2011) was recorded in the Sinking Fund to cover the loss.

Estimated payments on long-term debt are as follows:

	2012					2011		
Maturity	Canadian dollars (1)	Foreign currencies	Maturity	Refinancing	Net maturity	Maturity	Refinancing	Net maturity
2012						531,085	204,466	326,619
2013	692,788	50,749	743,537	302,183	441,354	706,624	303,154	403,470
2014	760,420		760,420	197,512	562,908	721,931	197,125	524,806
2015	559,682		559,682	219,802	339,880	556,778	253,109	303,669
2016	399,617		399,617	83,828	315,789	361,597	83,941	277,656
2017	908,868		908,868	181,165	727,703			
1 to 5 years	3,321,375	50,749	3,372,124	984,490	2,387,634	2,878,015	1,041,795	1,836,220
6 to 10 years	3,067,814		3,067,814	873,316	2,194,498	3,432,754	846,344	2,586,410
11 to 15 years	1,228,308		1,228,308	22,172	1,206,136	1,218,004	30,505	1,187,499
16 to 20 years	286,611		286,611	47,100	239,511	202,504		202,504
2043	934,556		934,556		934,556	934,556		934,556
2045	119,174		119,174		119,174	119,174		119,174
Perpetuity		293	293		293	287		287
TOTAL	8,957,838	51,042	9,008,880	1,927,078	7,081,802	8,785,294	1,918,644	6,866,650

(1) Including loans contracted in foreing currencies that are subject to hedging.

10- LONG-TERM DEBT (continued)
(in thousands of dollars)

Debt summary:

	2012			2011		
	Foreign currencies	Canadian dollars	%	Foreign currencies	Canadian dollars	%
Canadian dollars (1)		8,957,838	99.44		8,698,761	99.02
U.S. dollars				35,000	35,595	0.41
Swiss Francs	46,700	50,749	0.56	46,700	50,651	0.57
Pounds Sterling	181	293	0.00	182	287	0.00
		9,008,880	100.00		8,785,294	100.00

(1) Including loans contracted in foreign currencies that are subject to hedging.

Interest rates

The interest rates shown in the table take into account the nominal interest rate and impact of interest rate swaps.

	2012			2011
Maturity	Canadian dollars	Foreign currencies	Weighted average	Weighted average
1 to 5 years	4.67%	3.00%	4.64%	4.57%
6 to 10 years	4.76%		4.76%	4.93%
11 to 15 years	5.32%		5.32%	5.36%
16 to 20 years	4.13%		4.13%	4.31%
2043	5.90%		5.90%	5.90%
2045	6.00%		6.00%	6.00%
Perpetuity		3.00%	3.00%	3.00%
Weighted average	4.92%	3.00%	4.91%	4.97%

Fair value

The fair value of the debt was $10,144.7 million ($9,900 million in 2011). Fair value includes the net financial liabilities associated with foreign currency and interest-rate swaps of $61.3 million ($70.4 million in 2011).

11- CAPITAL ASSETS
(in thousands of dollars)

	Balance as at December 31,2011	Increase	Decrease	Balance as at December 31,2012
COST				
Infrastructures	9,495,265	548,627	163,958	9,879,934
Metro system	2,653,735	155,632		2,809,367
Buildings	2,377,944	215,818	6,102	2,587,660
Leasehold improvements	77,521	7,784	11,797	73,508
Vehicles	1,313,954	65,909	22,318	1,357,545
Office furniture and equipment	366,603	34,318	57,853	343,068
Machinery, tools and equipment	299,282	22,340	15,263	306,359
Land	1,102,398	20,986	1,000	1,122,384
Other	9,557	2,581	1,464	10,674
	17,696,259	1,073,995	279,755	18,490,499
ACCUMULATED AMORTIZATION				
Infrastructures	4,162,135	373,783	163,958	4,371,960
Metro system	1,493,995	69,277		1,563,272
Buildings	1,118,130	74,347	5,631	1,186,846
Leasehold improvements	39,821	6,145	11,797	34,169
Vehicles	447,780	98,937	20,771	525,946
Office furniture and equipment	148,856	58,900	57,853	149,903
Machinery, tools and equipment	99,971	21,785	15,263	106,493
Other	7,121	363	1,464	6,020
	7,517,809	703,537	276,737	7,944,609
NET CARRYING VALUE	10,178,450			10,545,890

The cost of the capital assets in the process of completion totalizing $480.6 million as at December 31, 2012 ($460.8 million in 2011).

12- OTHER NON-FINANCIAL ASSETS
(in thousands of dollars)

	2012	2011
Deposits to purchase metro cars and buses	277,878	185,757
Securities issuance costs	39,258	43,396
Other	9,852	15,771
	326,988	244,924

13- ACCUMULATED SURPLUS
(in thousands of dollars)

	2012	2011
Unrestricted operating surplus	50,372	18,634
Restricted operating surplus	269,837	260,909
Financial reserves and reserved funds	280,232	220,314
Deficit of capital asset activities	(337,084)	(55,266)
Amount to be funded in the future	(741,362)	(751,352)
Net investment in capital assets	6,538,569	6,062,706
	6,060,564	5,755,945

In accordance with the model developed by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire of the Government of Québec, the City presents certain financial information prepared for tax purposes in its annual financial report. Besides a breakdown of the accumulated surplus in various items defined in the following paragraphs, the financial information is presented in Schedules 3 and 4; in Tables 1, 2 and 3 of the Notes and Tables to the Consolidated Financial Statements; and in the section of the report that deals specifically with the municipal administration:

Restricted operating surplus

The restricted operating surplus is the portion of the accumulated surplus whose use is reserved under the *Act to reform the municipal territorial organization of the metropolitan regions of Montréal, Québec and Outaouais* (2000, chapter 56), under the *Charter of the City of Montréal*, or under resolutions adopted by the city council, the Urban Agglomeration Council and the borough councils. It also includes the excess of operating activities in organizations under its control.

Financial reserves and reserved funds

Certain amounts collected by the City must be recorded in special accounts of accumulated surplus and used for specific purposes. These purposes include, in particular, the development and maintenance of parks, playing fields and parking areas; the provision of water and road network services; and the acquisition of capital assets.

Deficit on capital asset activities

The deficit on capital asset activities is equal to the surplus of costs of capital assets on the financing realized.

Amount to be funded in the future

The amount to be funded in the future is equal to the net balance of the expenditures recognized in the Statement of Operations that will be subject to future revenues. Except for the balance related to the initial obligation as at January 1, 2007 for other retirement benefits and other post-employment employee future benefits, this amount will be transferred by allocating it to the unrestricted operating surplus over estimated periods through to 2045. The amount to be funded in the future results from the following:

- the application of transitional measures related to accounting policy changes made in 2000 (amortization over an estimated period through to 2020);

- application of relief measures related to employee future benefits (amortization over an estimated period through to 2025);

- the long-term financing of certain expenditures, essentially related to the 2003 and 2005 refinancing of notarized deeds relating to certain pension plans (amortization over an estimated period through to 2045).

Net investment in capital assets

The net investment in capital assets is equal to the net carrying value of capital assets, minus the debt portion related to these assets and the related unrealized net foreign exchange gains, plus Sinking Fund investments that have accrued to repay the debt and the receivables amount to be collected from third parties for said repayment.

14- TRANSFER REVENUES
(in thousands of dollars)

	2012	2011
Transfers - Operating activities		
Government of Québec	534,345	490,691
Transfers - Capital asset activities		
Government of Canada		
Canada/Québec Infrastructure program	26,109	23,054
Gas tax program and the Québec government contribution (TECQ)	66,307	63,851
Other		4,071
Government of Québec		
Canada/Québec Infrastructure program	26,117	19,251
Québec/Municipalities Infrastructure program	116,974	127,063
Gas tax program and the Québec government contribution (TECQ)	43,351	121,885
Other	52,138	30,553
	330,996	389,728
	865,341	880,419

15- INTEREST INCOME
(in thousands of dollars)

	2012	2011
Sinking Fund	62,786	64,996
Cash and other interest	51,135	42,768
Tax arrears	17,312	14,051
	131,233	121,815

16- FINANCIAL INSTRUMENTS

Use of derivative instruments

The City uses derivative financial instruments to reduce its exposure to changes in cash flows associated with changes in foreign exchange rates and interest rates on its long-term debt. It does not use derivative financial instruments for trading or speculative purposes.

Exchange and interest positions

As at December 31, 2012, considering the use of currency and interest-rate swaps, substantially all of the City's loans are denominated in Canadian dollars and bear interest at a fixed rate.

Credit risk

In using derivative financial instruments, the City is exposed to credit losses arising from third-party defaults on payment. The City believes these parties will be able to meet their obligations since it deals only with recognized institutions whose credit ratings are higher than its own.

16- FINANCIAL INSTRUMENTS (continued)

Fair value

The fair values of cash and temporary investments, accounts receivable other than those used to repay long-term debt, temporary loans, and accounts payable, provisions and accrued liabilities approximate their carrying values due to the short maturities of these financial instruments.

The following table shows the fair values and carrying values of other financial instruments:

(in thousands of dollars)	2012		2011	
	Fair value	Carrying value	Fair value	Carrying value
Investments	2,775,424	2,657,785	2,550,049	2,416,010
Receivables amount to be used to repay long-term debt	2,166,391	1,959,903	2,130,390	1,904,048
Loans	24,431	26,006	18,439	20,149
Long-term debt	10,144,701	9,008,880	9,900,007	8,785,294

The fair value of investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of the receivables amount to be used to repay long-term debt, the loans and the long-term debt is essentially based on a discounted cash flow calculation that uses rates of return or the year-end market price of similar instruments with the same maturity. The fair value of swaps is the amount the City would receive or pay if these contracts closed at that date. As at December 31, 2012, the fair value and carrying value of financial liabilities associated with swaps stood at $61.3 million and $18 million ($70.4 million and $48.6 million in 2011). They are included in the long-term debt amounts.

17- COMMITMENTS AND CONTINGENCIES

a) Contractual obligations

The City has contractual obligations relating primarily to property leases, equipment and machinery rentals, and snow-removal and garbage collection services. Under these obligations, the City has committed to paying a total amount of $1,281.5 million. The estimated amounts payable over the coming years are as follows:

2013	2014	2015	2016	2017	2018-2069	Total
$337.9M	$226.6M	$183.1M	$115.5M	$83.4M	$335M	$1,281.5M

Capital activity commitments total $2,564.6 million of which $1,549.3 million is to purchase metro cars.

The City has negotiated agreements to be supplied with diesel fuel at a set price until December 2015. As at December 31, 2012, the balance of the commitment was $52.3 million.

b) Ownership of property used to extend the metro system to the City of Laval

On April 28, 2007, the Agence métropolitaine de transport transferred the property used in extending the metro system to Laval to the STM at no cost under Section 47 of the *Act respecting the Agence métropolitaine de transport* ("deed evidencing the transfer dated April 28, 2007"). On December 21, 2007, this transfer was cancelled on the condition that a new agreement be negotiated by the parties before February 28, 2008 ("reconveyance agreement dated December 21, 2007"). The expiry date of the reconveyance agreement dated December 21, 2007 was extended to June 30, 2013.

The conclusion of this agreement may result in an increase in assets of approximately $970 million (excluding taxes) $485 million as capital assets and receivables to be used to repay long-term debt, and an increase in liabilities of $485 million as long-term debt, with the balance being allocated to the accumulated surplus.

17- COMMITMENTS AND CONTINGENCIES (continued)

c) F1 Grand Prix of Canada

As part of an agreement entered into to guarantee that Montreal is added to the F1 Grand Prix of Canada schedule for 2010 to 2014 inclusively, the City has pledged to make an annual contribution of $15 million. In this respect, the annual contribution receivable by the City from its partners is $14 million.

d) Claims and insurance

Claims pending against the City amount to $567 million. In the opinion of the City's legal counsel, the settlement of these claims will not materially impact the City's financial position.

The municipal administration has not contracted any risk insurance. However, according to its Charter, the City must forecast, in its budget established for tax purposes, an amount of at least 1% of its expenditures to cover expenditures not forecasted in the budget, the settling of claims and payment of judgments.

e) Environment

The City, as an owner of contaminated land, may be required to perform certain acts to comply with the *Act to amend the Environment Quality Act* (2002, chapter 11). The City may have to characterize and, if necessary, rehabilitate a parcel of land after it has been used or when its use has been changed. The City is currently unable to determine the cost or method of financing of any measures.

18- COMMUNAUTÉ MÉTROPOLITAINE DE MONTRÉAL (the CMM)

The City is part of the CMM, a regulatory, planning, coordinating, and funding body. Under the *Act respecting the Communauté métropolitaine de Montréal* (R.S.Q C-37.01), the CMM exercises jurisdiction over such areas as economic development; arts and culture promotion; social housing; facilities, infrastructures, services and activities of metropolitan importance; public transit and the metropolitan arterial road network; waste management planning; air quality; and water purification. It also has jurisdiction under the *Act respecting land use planning and development* (chapter A-19.1) with respect to the metropolitan land use and development plan.

During the year, the City's financial contribution to the CMM totalled $29.5 million ($29.5 million in 2011). The CMM, for its part, paid the City $37.8 million ($41 million in 2011) with respect to the operating costs of certain metropolitan facilities assumed by the City and for the social housing program.

19- PRIOR PERIOD

Certain comparative figures have been reclassified to conform to the current year's presentation.

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2012

TABLE 1 – CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

	2012	
	Local responsibilities	
	Budget	Actual (1)
Revenues		
Taxes	2,820,450	**2,819,122**
Payments in lieu of taxes	233,378	**239,602**
Quota shares		
Transfers	184,983	**218,256**
Services rendered	504,712	**464,486**
Fee collection	140,561	**206,366**
Fines and penalties	102,346	**96,532**
Interest	70,499	**74,755**
Other revenues	56,701	**57,982**
	4,113,630	**4,177,101**
Operating expenditures		
General administration	847,318	**763,159**
Public security	745,065	**745,010**
Transportation	847,404	**823,169**
Environmental hygiene	469,385	**467,278**
Health and welfare	110,879	**108,322**
Urban planning and development	176,762	**182,588**
Recreation and culture	446,119	**469,173**
Financing expenses	260,583	**237,651**
	3,903,515	**3,796,350**
Surplus before financing and allocations	210,115	**380,751**
Financing		
Repayment of long-term debt **(3)**	(230,628)	**(232,168)**
Allocations		
Capital asset activities	(25,243)	**(30,887)**
Restricted operating surplus	75,866	**63,122**
Financial reserves and reserved funds	(1,217)	**(28,033)**
Amount to be funded in the future	(3,603)	**(55,603)**
	45,803	**(51,401)**
Operating surplus for tax purposes for the year	25,290	**97,182**

(1) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $23.1 million ($31.8 million in 2011) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(2) Eliminations refer to transactions carried out between organizations included in the financial reporting entity as well as to interjurisdictional transactions.

(3) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

2012						2011
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
36,740	**52,349**	(16,415)	**(15,695)**	2,840,775	**2,855,776**	2,731,326
	2,036			233,378	**241,638**	227,817
2,495,925	**2,495,792**	(2,102,599)	**(2,102,562)**	393,326	**393,230**	378,786
416,071	**316,089**	(22,644)		578,410	**534,345**	490,691
692,332	**635,819**	(140,418)	**(132,168)**	1,056,626	**968,137**	923,617
1,969	**1,849**			142,530	**208,215**	174,551
89,227	**85,044**			191,573	**181,576**	181,379
35,703	**57,165**		**(687)**	106,202	**131,233**	121,815
42,831	**187,359**		**(31,715)**	99,532	**213,626**	209,004
3,810,798	**3,833,502**	(2,282,076)	**(2,282,827)**	5,642,352	**5,727,776**	5,438,986
444,016	**393,734**	(329,108)	**(333,199)**	962,226	**823,694**	819,297
981,059	**1,010,514**	(727,404)	**(727,727)**	998,720	**1,027,797**	962,808
1,585,375	**1,536,551**	(827,889)	**(811,731)**	1,604,890	**1,547,989**	1,489,822
226,428	**214,451**	(279,071)	**(279,299)**	416,742	**402,430**	390,132
35,920	**27,402**	(14,347)	**(11,655)**	132,452	**124,069**	125,671
67,729	**52,579**	(33,112)	**(33,921)**	211,379	**201,246**	193,293
119,269	**121,889**	(79,268)	**(81,524)**	486,120	**509,538**	496,611
248,489	**219,460**	(13,877)	**(6,557)**	495,195	**450,554**	469,742
3,708,285	**3,576,580**	(2,304,076)	**(2,285,613)**	5,307,724	**5,087,317**	4,947,376
102,513	**256,922**	22,000	**2,786**	334,628	**640,459**	491,610
(229,981)	**(183,006)**	(7,622)	**(7,622)**	(468,231)	**(422,796)**	(471,252)
(15,388)	**(25,919)**		**(2,786)**	(40,631)	**(59,592)**	(57,217)
3,416	**5,874**			79,282	**68,996**	84,171
(50,801)	**(67,657)**			(52,018)	**(95,690)**	(98,428)
190,508	**37,991**	(14,378)	**7,622**	172,527	**(9,990)**	153,840
127,735	**(49,711)**	(14,378)	**4,836**	159,160	**(96,276)**	82,366
267	**24,205**			25,557	**121,387**	102,724

Notes and Tables to the Consolidated Financial Statements (continued)
Fiscal Year Ended December 31, 2012

TABLE 2 – CONSOLIDATED SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2012	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares		
Transfers	161,674	**104,263**
Other revenues		
Developers contributions	9,042	**26,795**
Other	21,276	**11,062**
	192,192	**142,120**
Capital expenditures		
General administration	42,875	**27,060**
Public security	138	**39**
Transportation	265,241	**210,700**
Environmental hygiene	129,972	**106,782**
Health and welfare	5,000	**1,069**
Urban planning and development	94,056	**39,249**
Recreation and culture	221,715	**172,649**
	758,997	**557,548**
Deficit before financing and allocations	(566,805)	**(415,428)**
Financing		
Long-term financing of capital asset activities	510,690	**144,860**
Allocations		
Operating activities	25,243	**30,887**
Restricted operating surplus		**11,750**
Financial reserves and reserved funds (3)	30,872	**13,277**
	56,115	**55,914**
Surplus (deficit) of capital asset activities for tax purposes for the year		**(214,654)**

(1) The revenues include transfers of $23.1 million ($31.8 million in 2011) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(2) Eliminations refer to transactions carried out between organizations included in the financial reporting entity.

(3) The allocation of $22.5 million presented in agglomeration responsibilities includes an amount of $3.1 million from local responsibilities.

Notes and Tables to the Consolidated Financial Statements (continued)

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

2012						2011
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual (1)	Budget	Actual	Budget	Actual	Actual
22,000	**2,786**	(22,000)	**(2,786)**			
630,911	**226,733**			792,785	**330,996**	389,728
	70			9,042	**26,865**	18,131
16,829	**1,792**			38,105	**12,854**	6,357
669,740	**231,381**	(22,000)	**(2,786)**	839,932	**370,715**	414,216
21,481	**26,516**			64,356	**53,576**	40,199
50,624	**25,040**			50,762	**25,079**	26,326
682,649	**280,626**			947,890	**491,326**	491,225
307,235	**136,809**			437,207	**243,591**	203,329
	754			5,000	**1,823**	9,875
16,962	**3,827**			111,018	**43,076**	62,995
92,361	**42,875**			314,076	**215,524**	133,447
1,171,312	**516,447**			1,930,309	**1,073,995**	967,396
(501,572)	**(285,066)**	(22,000)	**(2,786)**	(1,090,377)	**(703,280)**	(553,180)
409,293	**165,615**	22,000	**3,900**	941,983	**314,375**	552,154
15,388	**25,919**		**2,786**	40,631	**59,592**	57,217
					11,750	13,445
76,891	**22,494**			107,763	**35,771**	59,372
92,279	**48,413**		**2,786**	148,394	**107,113**	130,034
	(71,038)		**3,900**		**(281,792)**	129,008

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2012

TABLE 3 – CONSOLIDATED ACCUMULATED SURPLUS *(in thousands of dollars)*

	2012	2011
Accumulated surplus		
Unrestricted operating surplus	**50,372**	18,634
Restricted operating surplus	**269,837**	260,909
Financial reserves and reserved funds	**280,232**	220,314
Deficit of capital asset activities	**(337,084)**	(55,266)
Amount to be funded in the future	**(741,362)**	(751,352)
Net investment in capital assets	**6,538,569**	6,062,706
	6,060,564	5,755,945
Breakdown of different items		
Restricted operating surplus		
Restricted surplus - Boroughs	**152,693**	137,042
Restricted surplus - Specific projects	**39,917**	65,892
Restricted surplus - Other purposes	**77,227**	57,975
	269,837	260,909
Financial reserves and reserved funds		
Financial reserves		
Water	**223,593**	166,134
Road network	**26,527**	25,319
	250,120	191,453
Reserved funds		
Parks and playing fields	**10,333**	10,706
Working capital	**8,577**	7,297
Balance of closed-loan by-laws	**3,509**	3,509
Parking areas	**4,596**	4,220
Other	**3,097**	3,129
	30,112	28,861
	280,232	220,314
Amount to be funded in the future		
Transitional measures as of January 1, 2000		
Employee benefits	**(12,829)**	(21,723)
Employee future benefits		
Pension plan	**621,491**	664,123
Other plans	**(199,140)**	(199,140)
	422,351	464,983
Long-term financing of operating activities	**(1,150,884)**	(1,194,612)
	(741,362)	(751,352)
Net investment in capital assets		
Assets		
Investments - Sinking Fund	**1,862,335**	1,539,855
Receivables amounts to be used to repay long-term debt	**1,784,534**	1,718,738
Capital assets	**10,545,890**	10,178,450
	14,192,759	13,437,043
Liabilities		
Deferred revenues - Unrealized net foreign exchange gains	**(269)**	(3,202)
Long-term debt	**(9,008,880)**	(8,785,294)
Debt not affecting the net investment in capital assets	**1,354,959**	1,414,159
	(7,654,190)	(7,374,337)
	6,538,569	6,062,706

Notes and Tables to the Consolidated Financial Statements (continued)
As at December 31, 2012

TABLE 4 – CONSOLIDATED NET TOTAL LONG-TERM DEBT *(in thousands of dollars)*

	2012	2011
Long-term debt of the municipal administration	**7,083,816**	6,974,715
Add		
Long-term unfunded operating expenditures	**46,585**	26,282
Long-term unfunded capital expenditures	**360,096**	57,293
Other		
Purchase of land	**14,747**	12,497
Government receivables	**68,268**	29,332
Deduct		
Receivables amount dedicated to repayment on long-term debt	**1,257,559**	1,157,567
Amount accumulated for repayment on long-term debt	**1,427,131**	1,173,480
Amount recoverable through user fees	**328,629**	321,631
Net long-term debt of the municipal administration	**4,560,193**	4,447,441
Share in the net total long-term debt of controlled organizations	**696,206**	697,400
Consolidated net long-term debt	**5,256,399**	5,144,841
Quota share in net total long-term debt - CMM	**17,465**	18,612
Consolidated net total long-term debt	**5,273,864**	5,163,453

2012
Municipal Administration Financial Reporting

Breakdown by Responsibility

Water Management

Breakdown of Mixed Expenditures

2012
Municipal Administration Financial Reporting

Breakdown by Responsibility

Financial Information of the Municipal Administration
Fiscal Year Ended December 31, 2012

NON-CONSOLIDATED OPERATING SURPLUS FOR TAX PURPOSES BY RESPONSIBILITY

	2012	
	Local responsibilities	
	Budget	Actual (1)
Revenues		
Taxes	2,820,450	**2,819,122**
Payments in lieu of taxes	233,378	**239,602**
Quota shares		
Transfers	184,983	**218,248**
Services rendered	270,516	**279,436**
Fee collection	140,561	**206,366**
Fines and penalties	102,346	**96,532**
Interest	70,499	**74,556**
Other revenues	52,115	**54,756**
	3,874,848	**3,988,618**
Operating expenditures		
General administration	847,318	**763,159**
Public security	745,065	**745,010**
Transportation	712,819	**719,169**
Environmental hygiene	469,385	**467,278**
Health and welfare	62,204	**62,579**
Urban planning and development	168,733	**174,331**
Recreation and culture	445,615	**468,711**
Financing expenses	253,968	**232,474**
	3,705,107	**3,632,711**
Surplus before financing and allocations	169,741	**355,907**
Financing		
Repayment of long-term debt (3)	(221,044)	**(222,126)**
Allocations		
Capital asset activities	(19,743)	**(23,873)**
Restricted operating surplus	75,866	**63,122**
Financial reserves and reserved funds	(1,217)	**(28,033)**
Amount to be funded in the future	(3,603)	**(55,603)**
	51,303	**(44,387)**
Operating surplus for tax purposes for the year		**89,394**

(1) The transfer revenues, as well as the equivalent operating expenditures presented in environmental hygiene, are reduced by $23.1 million ($31.8 million in 2011) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(2) The eliminations refer to interjurisdictional transactions.

(3) Repayment of long-term debt represents loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties.

Financial Information of the Municipal Administration

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

2012						2011
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
36,740	**52,349**			2,857,190	**2,871,471**	2,746,059
	2,036			233,378	**241,638**	227,817
2,123,025	**2,122,892**	(1,729,699)	**(1,729,662)**	393,326	**393,230**	378,786
159,257	**163,390**			344,240	**381,638**	367,108
60,301	**65,352**	(44,116)	**(49,813)**	286,701	**294,975**	279,491
1,969	**1,849**			142,530	**208,215**	174,551
89,227	**85,044**			191,573	**181,576**	181,379
35,703	**42,523**			106,202	**117,079**	109,464
22,175	**22,944**			74,290	**77,700**	75,329
2,528,397	**2,558,379**	(1,773,815)	**(1,779,475)**	4,629,430	**4,767,522**	4,539,984
444,016	**393,734**	(322,907)	**(327,304)**	968,427	**829,589**	824,996
981,059	**1,010,514**	(727,404)	**(727,727)**	998,720	**1,027,797**	962,808
458,464	**437,389**	(361,791)	**(362,409)**	809,492	**794,149**	787,634
226,428	**214,451**	(278,633)	**(278,882)**	417,180	**402,847**	390,535
35,920	**27,402**	(3,009)	**(3,010)**	95,115	**86,971**	90,897
67,729	**52,579**	(23,874)	**(23,945)**	212,588	**202,965**	194,755
76,894	**74,260**	(56,197)	**(56,198)**	466,312	**486,773**	474,440
139,720	**132,934**			393,688	**365,408**	388,282
2,430,230	**2,343,263**	(1,773,815)	**(1,779,475)**	4,361,522	**4,196,499**	4,114,347
98,167	**215,116**			267,908	**571,023**	425,637
(161,121)	**(156,888)**			(382,165)	**(379,014)**	(376,004)
(10,838)	**(18,089)**			(30,581)	**(41,962)**	(17,915)
	153			75,866	**63,275**	81,175
(50,801)	**(66,673)**			(52,018)	**(94,706)**	(97,102)
124,593	**46,113**			120,990	**(9,490)**	63,439
62,954	**(38,496)**			114,257	**(82,883)**	29,597
	19,732				**109,126**	79,230

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2012

NON-CONSOLIDATED OPERATING SURPLUS OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES BY RESPONSIBILITY

	2012	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	161 874	**104 263**
Other revenues		
Developers contributions	9 042	**26 795**
Other	21 276	**11 062**
	192 192	**142 120**
Acquisition of capitall assets		
General administration	42 875	**27 060**
Public security	138	**39**
Transportation	264 741	**206 451**
Environmental hygiene	129 972	**106 782**
Health and welfare		**16**
Urban planning and development	94 056	**37 537**
Recreation and culture	221 715	**172 649**
	753 497	**550 534**
Deficit before financiing and allocations	(561 305)	**(408 414)**
Financing		
Long-term financing of capital asset activities	510 690	**144 860**
Allocations		
Operating activities	19 743	**23 873**
Restricted operating surplus		**11 750**
Financial reserves and reserved funds (2)	30 872	**13 277**
	50 615	**48 900**
Surplus (deficit) of capital asset activities for tax purposes for the year		**(214 654)**

(1) The revenues include transfers of $23.1 million ($31.8 million in 2011) equal to the municipal administration specific quota share with respect to the infrastructure work completed by the agglomeration level eligible for financial assistance under the TECQ program.

(2) The allocation of $22.5 million presented in agglomeration responsibilities includes an amount of $3.1 million from local responsibilities.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

2012				2011
Urban agglomeration responsibilities		Total		Total
Budget	Actual (1)	Budget	Actual	Actual
198,804	**69,457**	360,678	**173,720**	162,458
	70	9,042	**26,865**	18,131
16,829	**1,792**	38,105	**12,854**	6,357
215,633	**71,319**	407,825	**213,439**	186,946
21,481	**26,516**	64,356	**53,576**	40,199
50,624	**25,040**	50,762	**25,079**	26,326
125,371	**49,238**	390,112	**255,689**	138,372
307,235	**136,809**	437,207	**243,591**	203,329
	754		**770**	397
16,962	**3,827**	111,018	**41,364**	62,995
92,061	**42,751**	313,776	**215,400**	133,434
613,734	**284,935**	1,367,231	**835,469**	605,052
(398,101)	**(213,616)**	(959,406)	**(622,030)**	(418,106)
310,372	**49,974**	821,062	**194,834**	490,585
10,838	**18,089**	30,581	**41,962**	17,915
			11,750	13,445
76,891	**22,494**	107,763	**35,771**	60,500
87,729	**40,583**	138,344	**89,483**	91,860
	(123,059)		**(337,713)**	164,339

Financial Information of the Municipal Administration (continued)
As at December 31, 2012

NON-CONSOLIDATED ACCUMULATED SURPLUS BY RESPONSIBILITY

	2012		
	Local responsibilities	Urban agglomeration responsibilities	Total
Accumulated surplus			
Unrestricted operating surplus (deficit)	83,545	19,367	**102,912**
Restricted operating surplus	215,397	119	**215,516**
Financial reserves and reserved funds	101,008	172,398	**273,406**
Deficit of capital asset activities	(216,820)	(137,759)	**(354,579)**
Amount to be funded in the future	(1,412,894)	439,035	**(973,859)**
Net investment in capital assets			**4,568,754**
			3,832,150
Breakdown of different items			
Allocated operating surplus			
Restricted surplus - Boroughs	152,693		**152,693**
Restricted surplus - Special projects	39,861	56	**39,917**
Restricted surplus - Other purposes	22,843	63	**22,906**
	215,397	119	**215,516**
Financial reserves and reserved funds			
Financial reserves			
Water	62,692	160,901	**223,593**
Road network	15,030	11,497	**26,527**
	77,722	172,398	**250,120**
Reserved funds			
Parks and playing fields	10,333		**10,333**
Working capital	3,002		**3,002**
Balance of closed-loan by-laws	2,258		**2,258**
Parking areas	4,596		**4,596**
Other	3,097		**3,097**
	23,286		**23,286**
	101,008	172,398	**273,406**
Amount to be funded in the future			
Transitional measures of January 1, 2000			
Employee benefits		(12,829)	**(12,829)**
Employee future benefits			
Pension plan	(186,322)	495,145	**308,823**
Other plans	(96,320)	(9,914)	**(106,234)**
	(282,642)	485,231	**202,589**
Long-term financing of operating activities	(1,130,252)	(33,367)	**(1,163,619)**
	(1,412,894)	439,035	**(973,859)**

Financial Information of the Municipal Administration (continued)

As at December 31, 2012

(in thousands of dollars)

	2011		
	Local responsibilities	Urban agglomeration responsibilities	Total
Accumulated surplus			
Unrestricted operating surplus (deficit)	70,406	(6,164)	64,242
Restricted operating surplus	213,988	6,071	220,059
Financial reserves and reserved funds	88,831	125,641	214,472
Deficit of capital asset activities	(2,141)	(14,699)	(16,840)
Amount to be funded in the future	(1,468,517)	485,168	(983,349)
Net investment in capital assets			4,069,729
			3,568,314
Breakdown of different items			
Allocated operating surplus			
Restricted surplus - Boroughs	137,042		137,042
Restricted surplus - Specific projects	59,883	6,009	65,892
Restricted surplus - Other purposes	17,063	62	17,125
	213,988	6,071	220,059
Financial reserves and reserved funds			
Financial reserves			
Water	52,563	113,571	166,134
Road network	13,249	12,070	25,319
	65,812	125,641	191,453
Reserved funds			
Parks and playing fields	10,706		10,706
Working capital	2,706		2,706
Balance of closed-loan by-laws	2,258		2,258
Parking areas	4,220		4,220
Other	3,129		3,129
	23,019		23,019
	88,831	125,641	214,472
Amount to be funded in the future			
Transitional measures of January 1, 2000			
Employee benefits		(15,559)	(15,559)
Employee future benefits			
Pension plan	(221,955)	551,554	329,599
Other plans	(96,320)	(9,914)	(106,234)
	(318,275)	541,640	223,365
Long-term financing of operating activities	(1,150,242)	(40,913)	(1,191,155)
	(1,468,517)	485,168	(983,349)

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2012

NON-CONSOLIDATED BY-ITEM AMOUNTS FOR TAX PURPOSES BY RESPONSIBILITY

	2012	
	Local responsibilities	
	Budget	Actual
Remuneration		
Elected officials	9,730	**9,376**
Employees	705,944	**732,105**
Employer contributions		
Elected officials	3,170	**3,866**
Employees	399,059	**385,284**
Transportation and communication	24,870	**27,028**
Professionnal, technical and other services		
Professional fees	28,626	**30,309**
Purchase of technical services	211,978	**189,112**
Other	2,163	**2,092**
Leasing, maintenance and repairs		
Leasing	91,527	**88,494**
Maintenance and repairs	45,813	**42,991**
Durable goods		
Construction	10,027	**7,484**
Other durable goods	3,613	**877**
Non-durable goods		
Delivery of public services	49,351	**49,606**
Other non-durable goods	102,196	**92,324**
Financing expenses		
Interest and other charges on long-term debt borne by:		
The municipality	174,811	**182,712**
Government of Québec and its enterprises	31,842	**27,704**
Other third parties	46,005	**21,466**
Other financing expenses	1,310	**592**
Contributions to organizations		
Municipal organizations		
Quota shares - Agglomération de Montréal	1,729,699	**1,729,662**
Société de transport de Montréal		
Communauté métropolitaine de Montréal	25,601	**25,189**
Reconstituted municipalities		
Other	5,940	**7,025**
Government organizations		
Agence métropolitaine de transport		
Other		
Other organizations	60,664	**83,558**
Other items		
Doubtful account or bad debts	4,073	**7,316**
Other	(62,905)	**(113,461)**
	3,705,107	**3,632,711**

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

2012						2011
Urban agglomeration responsibilities		Eliminations (1)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
				9,730	**9,376**	10,865
819,540	**833,333**			1,525,484	**1,565,438**	1,502,455
				3,170	**3,866**	3,634
454,313	**472,608**			853,372	**857,892**	782,385
15,024	**15,101**			39,894	**42,129**	42,459
18,040	**14,051**		**(301)**	46,666	**44,059**	37,433
92,071	**87,780**	(690)	**(2,674)**	303,359	**274,218**	258,070
755	**830**			2,918	**2,922**	2,753
38,943	**38,067**	(35,488)	**(35,511)**	94,982	**91,050**	86,047
32,388	**29,674**	(7,909)	**(11,182)**	70,292	**61,483**	62,587
5,245	**5,959**			15,272	**13,443**	15,778
29	**145**	(29)	**(145)**	3,613	**877**	750
35,150	**31,930**			84,501	**81,536**	81,019
47,064	**40,989**			149,260	**133,313**	135,885
98,844	**88,144**			273,655	**270,856**	284,731
40,772	**44,767**			72,614	**72,471**	75,002
				46,005	**21,466**	24,078
104	**23**			1,414	**615**	4,471
		(1,729,699)	**(1,729,662)**			
372,900	**375,652**			372,900	**375,652**	389,013
4,399	**4,328**			30,000	**29,517**	29,510
	222				**222**	
43,989	**20,656**			49,929	**27,681**	28,094
50,777	**50,777**			50,777	**50,777**	47,701
10,477	**10,913**			10,477	**10,913**	10,289
31,397	**32,059**			92,061	**115,617**	113,445
4,087	**8,151**			8,160	**15,467**	19,593
213,922	**137,104**			151,017	**23,643**	66,300
2,430,230	**2,343,263**	(1,773,815)	**(1,779,475)**	4,361,522	**4,196,499**	4,114,347

2012
Municipal Administration Financial Reporting

Water Management

Financial Information of the Municipal Administration (continued)
Fiscal Year Ended December 31, 2012

NON-CONSOLIDATED OPERATING SURPLUS (DEFICIT) FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2012	
	Local responsibilities	
	Budget	Actual
Revenues		
Quota shares - Water service		
Quota shares - Drinking water supply		
Quota shares - Water financial reserve		
Quota shares - TECQ Investment Financing		
Wastewater fees and the sale of Charlemagne drinking water		
Water taxe service	322,378	**321,535**
Flat rate and meter fees	28,196	**28,158**
Other revenues from local sources	1,746	**1,195**
Transfers		**10,700**
User fees - Drinking water - Reconstituted municipalities		
	352,320	**361,588**
Expenditures		
Quota shares for financing urban agglomeration activities	220,153	**220,116**
Expenditures	89,695	**88,189**
	309,848	**308,305**
Recovery plan		
Surplus before financing and allocations	42,472	**53,283**
Financing		
Repayment of long-term debt (1)	34,050	**34,344**
Allocations		
Capital asset financial activities	(1,818)	**(6,615)**
Restricted surplus		
Water financial reserve	(6,604)	**(12,324)**
	(8,422)	**(18,939)**
Operating surplus (deficit) for tax purposes for the year		

(1) Repayment of long-term debt includes loan repayments and payments to the Sinking Fund related to loans taken out to finance capital expenditures and for which repayment is not covered by third parties. For the purpose of this table, the repayment of long-term debt includes financing expenses.

(2) Interjurisdictional transactions have been eliminated.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

2012						2011
Urban agglomeration responsibilities		Eliminations (2)		Total		Total
Budget	Actual	Budget	Actual	Budget	Actual	Actual
104,990	**104,990**	(85,226)	**(85,226)**	19,764	**19,764**	20,964
50,859	**50,726**	(46,608)	**(46,571)**	4,251	**4,155**	4,187
108,800	**108,800**	(88,319)	**(88,319)**	20,481	**20,481**	17,227
3,051	**3,051**			3,051	**3,051**	2,069
4,474	**4,512**			4,474	**4,512**	4,374
				322,378	**321,535**	140,576
				28,196	**28,158**	23,805
333	**631**			2,079	**1,826**	2,300
					10,700	(6)
						177,685
272,507	**272,710**	(220,153)	**(220,116)**	404,674	**414,182**	393,181
		(220,153)	**(220,116)**			
163,767	**157,440**			253,462	**245,629**	228,118
163,767	**157,440**	(220,153)	**(220,116)**	253,462	**245,629**	228,118
						9,565
108,740	**115,270**			151,212	**168,553**	155,498
44,165	**40,664**			78,215	**75,008**	78,772
(10,838)	**(8,736)**			(12,656)	**(15,351)**	(3,662)
						(2)
(53,737)	**(65,870)**			(60,341)	**(78,194)**	(73,062)
(64,575)	**(74,606)**			(72,997)	**(93,545)**	(76,726)

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2012

NON-CONSOLIDATED SURPLUS (DEFICIT) OF CAPITAL ASSET ACTIVITIES FOR TAX PURPOSES RELATED TO WATER MANAGEMENT BY RESPONSIBILITY

	2012	
	Local responsibilities	
	Budget	Actual
Revenues		
Transfers	96,510	**74,775**
Other revenues		
	96,510	**74,775**
Acquisition of capital assets		
Drinking water production		
Wastewater treatment		
Water and wastewater - Secondary infrastructure	108,995	**79,585**
Buildings	700	**225**
	109,695	**79,810**
Deficit before financing and allocations	(13,185)	**(5,035)**
Financing		
Long-term financing of capital asset activities	2,500	**(1,825)**
Allocations		
Operating activities	1,818	**6,615**
Water financial reserve (1)	8,867	**358**
	10,685	**6,973**
Surplus (deficit) of capital asset activities for tax purposes for the year		**113**

(1) The allocation of $22.9 million presented in agglomeration responsibilities includes an amount of $3.1 million from local responsibilities.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

2012				2011
Urban agglomeration responsibilities		Total		Total
Budget	Actual	Budget	Actual	Actual
127,054	**59,294**	223,564	**134,069**	112,807
	6		**6**	37
127,054	**59,300**	223,564	**134,075**	112,844
208,134	**102,401**	208,134	**102,401**	86,011
54,767	**15,769**	54,767	**15,769**	19,158
16,275	**9,300**	125,270	**88,885**	71,073
3,396	**1,020**	4,096	**1,245**	1,242
282,572	**128,490**	392,267	**208,300**	177,484
(155,518)	**(69,190)**	(168,703)	**(74,225)**	(64,640)
67,789	**1,973**	70,289	**148**	49,869
10,838	**8,736**	12,656	**15,351**	3,662
76,891	**22,881**	85,758	**23,239**	48,186
87,729	**31,617**	98,414	**38,590**	51,848
	(35,600)		**(35,487)**	37,077

2012
Municipal Administration Financial Reporting

Breakdown of Mixed Expenditures

Vérificateur général
de la Ville de Montréal

INDEPENDENT AUDITOR'S REPORT

To the Mayor,
The Chairman and the Members of the Executive Committee,
The Members of the Council of Ville de Montréal,
The Members of the Montréal Agglomeration Council

I have audited the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local and urban agglomeration responsibilities for the year ended December 31, 2012. This breakdown has been determined by management based on by-law RCG06-054 adopted by the Urban Agglomeration Council on December 13, 2006 and its subsequent changes (hereinafter "the regulatory requirements").

Management's Responsibility for the Breakdown of Mixed Expenditures

Management is responsible for the preparation of the Table of Breakdown of Mixed Expenditures in accordance with the regulatory requirements and for such internal control as management determines is necessary to enable the preparation of a table of breakdown of mixed expenditures that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the Table of Breakdown of Mixed Expenditures based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Table of Breakdown of Mixed Expenditures is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the preparation of the Table of Breakdown of Mixed Expenditures. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Table of Breakdown of Mixed Expenditures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Table of Breakdown of Mixed Expenditures in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the table.

Vérificateur général
de la Ville de Montréal

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the Table of Breakdown of Mixed Expenditures of Ville de Montréal between local and urban agglomeration responsibilities for the year ended December 31, 2012 was prepared, in all material respects, in accordance with the regulatory requirements.

Auditor General of Montréal,

Jacques Bergeron, CPA auditor, CA

Montréal, March 25, 2013

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2012

TABLE OF BREAKDOWN OF MIXED EXPENDITURES BY RESPONSIBILITY

	2012	
	Local responsibilities	
	Budget	Actual
Expenditures		
General administration	126,622	**130,355**
Transportation	7,554	**7,315**
Environmental hygiene	5,581	**5,870**
Health and welfare	1,679	**1,913**
Urban planning and development	29,275	**25,014**
Recreation and culture	6,373	**6,449**
Total expenditures	177,084	**176,916**

(1) Eliminations refer to interjurisdictional transactions.

Financial Information of the Municipal Administration (continued)

Fiscal Year Ended December 31, 2012

(in thousands of dollars)

2012						2011
Urban agglomeration responsibilities		Eliminations (1)		Total		
Budget	Actual	Budget	Actual	Budget	Actual	Actual
106,699	**106,928**	(3,928)	**(3,970)**	229,393	**233,313**	207,680
2,041	**2,068**		**(2)**	9,595	**9,381**	7,963
8,594	**8,311**			14,175	**14,181**	11,107
2,149	**1,990**			3,828	**3,903**	4,139
11,627	**10,162**		**(1)**	40,902	**35,175**	40,738
5,135	**5,279**			11,508	**11,728**	12,860
136,245	**134,738**	(3,928)	**(3,973)**	309,401	**307,681**	284,487

Municipal Administration – Breakdown of Mixed Expenditures – Supplementary Notes
December 31, 2012

1- MIXED EXPENDITURES

An Act respecting the exercise of certain municipal powers in certain urban agglomerations (R.S.Q., chapter E-20.001), completed by the *Montréal Agglomeration Order* (Order-in-Council No. 1229-2005) and the orders that amended it thereafter, lists and defines the urban agglomeration responsibilities. Under this Act, expenditures incurred by the Ville de Montréal in carrying out by the municipal administration an act that falls within the exercise of an agglomeration power and, at the same time, another power, are considered mixed expenditures; these mixed expenditures are subject to a by-law of the Urban Agglomeration Council that sets out criteria for establishing which portion of the mixed expenditure is an expenditure related to the exercise of an agglomeration power.

The term "municipal administration" refers to Ville de Montréal excluding the organizations under its control.

2- BREAKDOWN OF MIXED EXPENDITURES

The mixed expenditures of the municipal administration are broken down between local and agglomeration powers in accordance with the criteria and calculation method defined in by-law RCG06-054, adopted by the Urban Agglomeration Council on December 13, 2006 and its subsequent changes.

Therefore, the portion of a mixed expenditure related to transportation, environmental hygiene, health and welfare, urban planning and development, as well as recreation and culture, which constitutes an expenditure incurred in exercising agglomeration powers, is determined using factual quantitative data or a quantitative measure of the human or financial resources allocated to the expenditure.

Also, the portion of a mixed expenditure that is a general administrative expenditure incurred by one or more support units in the exercise of agglomeration powers is determined using an administrative expenditure rate applied to the agglomeration expenditures, excluding debt service expenditures, contribution expenditures and contingency expenditures. The administrative expenditure rate is calculated annually on the basis of criteria set out in the above-mentioned by-laws. The rate applicable in 2012 was 6.31%.

The actual mixed expenditures are distributed based on the rates used to develop the City's 2012 Budget.

3- SIGNIFICANT ACCOUNTING POLICIES

The Breakdown of Mixed Expenditures Table for the municipal administration is prepared in accordance with Canadian public sector accounting standards using the same accounting policies as those described in Note 2 to the consolidated financial statements of Ville de Montréal for the year ended December 31, 2012.

By their very nature, the mixed expenditures for the municipal administration do not include any tax reconciliation items.

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